Lloyds Bank Limited
MONTHLY REVIEW

JANUARY 1937

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Lloyds Bank Limited
Monthly Review

New Series—Vol. 8 JANUARY, 1937 No. 83

****The Bank publishes from time to time in this* Monthly Review *signed articles by exponents of different theories on questions of public interest. The Bank is not necessarily in agreement with the views expressed in these articles.*

The Development of Exchange Funds

By Norman Crump

ON December 15th last, it was announced that the Bank of England had bought £65 millions of gold and that the fiduciary note issue was reduced from £260 to £200 millions. This last operation was described by the Chancellor of the Exchequer as a temporary measure, intended to prevent the expansion in the credit base which would otherwise have been caused by the Bank's unprecedentedly large gold purchase. This reduction in the fiduciary note issue did not need the sanction of Parliament, for under the terms of the Currency and Bank Notes Act of 1928, a reduction can be made by the Treasury at the request of the Bank of England. Mr. Chamberlain further explained that the reduction was not a measure of deflation. This is obviously true, for as a result of the two operations there was a net increase of £5 millions in the resources of the Issue Department of the Bank of England. Normally this would have caused an equal expansion in the Bank's Reserve, which is in effect the nation's credit base, determining ultimately the supply of bank cash and banking credit; but at the moment this increase of £5 millions was more than absorbed by the Christmas expansion in the note circulation.

No explanation of the Bank's big gold purchase was announced, but it is common knowledge that in fact the Bank bought £65 millions of gold from the Exchange Equalisation Account in exchange for £60 millions of Government securities

(probably Treasury bills) taken from the backing to the fiduciary note issue, and £5 millions found in other and undisclosed ways. This £65 millions of gold is valued by the Bank at its statutory price of approximately 85s. per fine ounce, but when the Exchange Equalisation Account sold the gold, it valued it at the current market price of 141s. 9d. per fine ounce. There was thus a loss on the sale of about £43 millions, arising from the difference between the two prices, and by statute this loss was borne by the Exchange Equalisation Account. The Account therefore parted with £108 millions of gold, acquired £65 millions of securities, and suffered a net contraction of £43 millions in its total resources.

These were the mechanics of the operation. The Exchange Account lost gold and gained securities, which could easily be turned into cash, that is, into sterling. The obvious inference was that the Exchange Account early last December held much more gold than it needed, and was, if anything, short of sterling. This inference is supported by the circumstances attending the repayment of the French Treasury's sterling credit. When this money was borrowed in London early in 1936 and transferred to Paris, its transfer across the exchanges did not involve any sale of gold by the British Exchange Equalisation Account to the Banque de France, for the sufficient reason that there was then in progress a counter-movement of French funds to London. At the end of November the credit began to fall due for repayment. There was then no offsetting movement of funds from London to Paris, and so the credit had to be repaid in gold. Approximately £40 millions of gold was accordingly transferred from the Banque de France to the new French Exchange Fund, and thence to the British Exchange Equalisation Account; and this gold has actually crossed the channel. Hence it is a fair inference that by December 15th the British Exchange Account was very full of gold.

This purchase of gold by the Bank is one of the culminating events in a series of developments at home and abroad which illustrate the functions and limitations of Government Exchange Funds as stabilisers of the exchanges. To understand them it is easiest to consider first the operations of the traditional gold standard. Whenever the exchanges moved against sterling, it eventually became profitable to withdraw gold from the Bank of England for shipment abroad and sale to a foreign central bank. These gold withdrawals reduced the Bank of England's Reserve,

and so narrowed the national credit base. If they went too far, the Bank had to reduce its holdings of securities, and both gold losses and sales of securities by the Bank had the effect of contracting the volume of joint-stock bank cash. This forced the joint-stock banks in turn to contract credit, call in their loans and refuse to grant fresh loans; and the Bank of England might itself take steps to discourage borrowing from the banks by raising the Bank rate. The result was a general contraction of credit, depression of prices and recession in trade.

For a full explanation of the above process the reader is referred to any standard economic text-book. The real point I desire to make is that this contraction occurred regardless of the original cause which turned the exchanges against us. The cause might be one which called for moderate contraction at home—for example, our price-level might be too high, or we might be passing through a period of over-trading and speculation. There was no certainty, however, that this was the case. It might equally happen that there would be a prolonged withdrawal of foreign capital from London, which would turn the exchanges against us and penalise us through no fault of our own. A recent example of this is the repatriation of French funds from London following the 1928 franc devaluation. This occasioned a serious drain of gold from London to Paris, and forced us to impose dearer money rates.

When we went off gold in 1931, the Bank of England was no longer bound to sell gold. Instead, foreign exchange rates became free to fluctuate without limit, with all the attendant risk of sudden disturbance to our trade and to the cost of the many necessities which we have to import. This risk was mitigated by the growth of the sterling area and also by the fall in world prices which continued after our suspension of the gold standard. There was also the alternative risk of a sudden appreciation of sterling, to the detriment of our export trades. Thus in going off gold we had only substituted one danger for another.

To prevent these sudden fluctuations in exchange rates, the instrument of Government Exchange Funds was invented. We led the way in 1932, the United States followed in 1934, and other countries established their own Funds at the time of the devaluations of last autumn. The real function of an Exchange Fund is to buy and sell foreign currencies, in such a way as to neutralise violent fluctuations in the rates and

incidentally so as to discourage speculation. For example, whenever sterling is offered in excess on the foreign exchange market, the British Exchange Equalisation Account may come in as a buyer of sterling. Whenever there is a strong demand for sterling in exchange for foreign currencies, the Exchange Equalisation Account may become a seller. In practice the Account only used to deal in currencies on the gold standard—first in francs and dollars, and after early 1933 only in francs. Since the tripartite monetary agreement of last September it is believed to have dealt in dollars again as well as in francs. This is a matter of detail. The important point is that since its early days, whenever the British Exchange Account bought foreign currencies, it at once exchanged them for gold at the central bank (or Exchange Fund) of the country in question. The Exchange Funds of other countries follow the same procedure, so that in practice each Exchange Fund deals solely in its own currency against gold.

This means that each Exchange Fund must carry an adequate stock of both its own currency and gold (or foreign currencies). Thus the British Exchange Equalisation Account must carry a stock of sterling and gold. The sterling is not actually cash, but consists of Treasury bills, which can be turned into cash at a moment's notice, virtually by selling them to the Bank of England, the joint-stock banks, the money market or any other buyer.*

On its constitution in the summer of 1932 the British Exchange Equalisation Account had a total size of about £175 millions. It was increased by £200 millions a year later, but its exact size at any moment is indefinite, as it is £375 millions plus or minus accrued profits and losses. The Chancellor has from time to time stated that it has earned a profit, but it has to stand the loss arising from any gold purchases by the Bank. If the Bank sells gold the Exchange Account gets the profit. Initially the Exchange Account was supplied solely with sterling, consisting of Treasury bills issued specially for this purpose. Thus originally it was only able to act as a buyer, and not a seller, of foreign currencies or gold. Fortunately, foreign

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*The actual process is not quite so simple. Probably what happens is that the Exchange Account does not replace its maturing Treasury bills, with the result that more bills have to be taken up and paid for elsewhere. Whether this is so has never been disclosed, but in effect it is correct to say that the Exchange Accoun sells Treasury bills whenever it buys gold, and *vice versa*.

funds were already returning to England, for confidence had by then been restored after the crisis of 1931. The Bank of England had therefore some foreign exchange at its disposal, which it was able to sell to the Exchange Account, while the continued influx of foreign funds during the summer enabled the Exchange Account to increase its stock of foreign currencies. Indeed, by early 1933, the Exchange Account found itself carrying too much gold and too little sterling, and therefore sold part of its gold to the Bank of England. These purchases by the Bank were partly offset by a reduction in the fiduciary note issue from £275 to £260 millions, but they also caused a definite expansion in the credit base. This facilitated the Government's policy of cheap money and debt conversion, though in time the process went too far, and in the summer of 1933 the Exchange Equalisation Account had to be increased by £200 millions so as to provide it with a fresh stock of sterling. Thus all worked out for the best, but it was fortunate, and indeed essential, that the British Exchange Account should have been established at a time when foreign funds were returning to the country, so that on balance the Account had to act as a seller and not buyer of sterling.

This is proved in contrast by the experience of the American Exchange Stabilisation Fund. It was founded in February, 1934, and its initial stock consisted solely of gold, liberated by the devaluation of the dollar and the consequent writing-up in terms of dollars of the United States' stock of monetary gold. The result was that the American Exchange Fund only had gold to sell, and no dollars. Now ever since its foundation the general tendency has been for foreign funds to flow into the United States, and so the American Exchange Fund was being pressed to buy gold and to sell dollars, which it did not possess. This meant that as fast as gold flowed into the Exchange Fund it had to be re-sold by the Fund to the Reserve Banks, for that was the only way in which the Fund could obtain dollars to pay for the gold offered to it. Hence the American Exchange Fund acted solely as a pipe-line for transmitting gold to the Reserve Banks, and so did not function properly at all. The consequence has been a progressive enlargement of the American credit base, and more specifically the expansion of member bank cash and the creation of the huge mass of member banks' excess reserves. This has aroused fears of monetary inflation in the United States, for

theoretically the member banks could expand their loans and investments in direct proportion to their excess reserves. Last summer the legal minimum reserves of the member banks were increased with the avowed object of reducing their excess reserves, but the threat was only mitigated and not removed. This is the real explanation of the warning uttered last autumn against the presence of foreign "hot money," which was the new term coined for foreign funds in the United States. The root of the whole trouble and danger lay in the inability of the American Exchange Fund to absorb and assimilate the foreign gold brought to the United States by this influx of foreign money.

This anomaly is now to be rectified, for it was announced last December that American Treasury bills would be issued specially to the Exchange Stabilisation Fund. This will provide it with a stock of dollars, which it can sell against its gold purchases, and will thus enable it to buy and retain gold, which it will no longer have to pass on to the Reserve Banks. In fact, it will now be able to operate freely as both a buyer and seller of gold, thus following the British precedent. For the first time since its constitution it will be able to function properly. From the point of view of the internal supply of credit, whenever foreign funds come into the member banks, the result of the accompanying gold influx will be an expansion of their Government securities instead of an expansion of their cash. The reason is that instead of the Reserve Banks obtaining new gold (in reality, gold certificates), the Stabilisation Fund will sell Treasury bills to the member banks in order to pay the dollars needed by it to pay for the new gold.

An increase in member bank deposits due to the influx of foreign funds will now be offset by an increase in their securities and not in their cash. This will cause a reduction in their excess reserves, for their legal minimum reserves increase in proportion to any expansion in their deposits. This is the real significance of this important change in the constitution and operation of the American Exchange Stabilisation Fund.

This account of American experience shows that the operations of an Exchange Fund, even when functioning properly, cannot be entirely divorced from internal monetary policy. As we ourselves found last summer, there are certain reactions upon the internal credit base, and compensating

action may at times be required. To understand this, let us take the over-simplified example of a flow of French funds into deposits at the British joint-stock banks, offset by an equal purchase of gold from France by the British Exchange Equalisation Account. The first stage is an increase in British bank deposits, offset by an addition to their holdings of francs. These francs are sold on the market by the British banks to the British Exchange Account, which uses these francs to buy gold in France. Meanwhile, the Exchange Account has to find the sterling with which to pay for its francs. To do so, it sells Treasury bills either to the British banks or to the discount market; and in the latter event the bill-brokers borrow at call and short notice from the banks in order to finance their bill purchases. The net result is an increase in British bank deposits offset by an increase in their discounts and loans to the market, i.e., in their earning assets and not in their cash. This means a slight reduction in their ratio of cash to deposits, for their deposits have grown while their cash is unchanged.

This is a complete contrast to the effects of an influx of foreign funds under the gold standard. In that event, the gold came into the Bank of England and increased the credit base and also the joint-stock banks' supply of cash. As the banks' cash increased equally with their deposits, there was a rise in their cash ratio.* In fact, under the gold standard an influx of gold means easier credit conditions, but if the gold is bought by the Exchange Equalisation Account there is a tendency towards greater stringency.

This tendency becomes intensified if the foreign funds coming into the country are hoarded in the form of British currency. To see this, assume that the day after these funds are deposited in the British banks they are drawn out again in British currency. Then the banks lose their newly-gained deposits and also lose cash. They still retain, however, their new discounts and call and short loans. The net result of the whole process is :—

deposits, unchanged;
cash, reduced;
discounts, higher;
call and short loans, higher.

*The reason is that normally deposits are ten times cash. If an equal amount be added to both deposits and cash, the new deposits will be less than ten times cash, and the cash ratio will rise above its normal figure of 10 per cent.

This means a still greater reduction in their cash ratio. Meanwhile, the Bank of England has experienced an expansion in the note circulation, and as it has gained no fresh gold there is also a reduction in its Reserve. The credit base has been definitely narrowed.

This actually happened early last summer, when there was considerable French hoarding of British currency. Discount rates began to harden in London and there were signs of developing stringency. To prevent this, compensating action was necessary. This took the form of re-sales of gold by the Exchange Equalisation Account to the Bank. To that extent the Exchange Account put itself in the position of an intermediary, and the net result was that part of the foreign gold went into the Bank of England and not into the Exchange Account. This meant that we were for the moment operating the normal gold standard, and that the gold coming into the country had its normal effect of easing instead of restricting the credit position.

Theoretically, for every five-pound note hoarded by foreigners, the Bank and not the Exchange Account should acquire £5 of gold (at the Bank's valuation). This is the only way of maintaining intact both the Bank of England's Reserve and the joint-stock banks' supplies of cash. The following table shows that this rule was actually carried out last summer :—

	April 29th	Aug. 5th	Intervening Change
Bank of England—		(£ millions)	
Gold	202·7	243·0	+40·3
Note circulation	416·9	454·4	+37·5
Reserve	46·6	49·6	+ 3·0
Joint Stock Banks' cash * ...	224·1	230·0	+ 5·9

The Bank actually bought from the Exchange Account more gold than was required to offset the expansion in the note circulation. Thus the joint-stock banks gained cash on balance. This compensated them for the foreign funds which remained on deposit with them, instead of being hoarded in British currency. It thus offset the lesser stringency, which we have seen may develop from an influx of foreign funds into deposits at the British joint-stock banks.

Last summer therefore established the important principle that even when an Exchange Fund is functioning properly, compensating action is required to complete the insulation of

* April and August averages.

the internal credit supply from the ebb and flow of foreign funds. This compensating action took the form of carefully adjusted gold purchases by the Bank of England from the Exchange Account whenever foreign funds arrive. It will equally call for gold sales by the Bank to the Exchange Account, whenever foreign funds depart.

We thus appear to have developed as a temporary expedient a new and highly elastic form of gold standard. In early 1933 the Bank bought gold from the Exchange Equalisation Account, in order to relieve it of surplus gold and also to create easier money at home. In the summer of 1936 it bought gold, as a necessary compensating action to relieve the internal banking system. Last December it bought gold again to relieve the Exchange Account of surplus gold, but this time it was unnecessary also to ease the internal credit position, and so a new compensating action was devised, which took the form of a reduction in the fiduciary note issue. We have thus invented a new instrument of monetary control, consisting of variations of the fiduciary note issue as an auxiliary to the Exchange Equalisation Account. This obviates the need for any new statutory enlargement of the Exchange Account, a process which requires fresh legislation and so is cumbersome and rigid. Instead the Exchange Account can sell gold to the Bank and replenish its sterling by taking over Treasury bills out of the backing to the fiduciary note issue. Alternatively, if there is a repatriation of foreign funds, so that the Exchange Account loses gold, it can buy back gold from the Bank, surrendering Treasury bills which can be used to increase the fiduciary note issue.

The exact significance of the 1928 Currency and Bank Notes Act (passed before an Exchange Account had ever been thought of) has apparently not yet been considered. So far as I can discover, the fiduciary note issue can be varied both *upwards* and downwards by administrative action and without Parliamentary sanction, so long as it does not exceed £260 millions. As it is now only £200 millions, this leaves scope for a fair amount of elasticity. One limit that may eventually arise is due to the fact that when the Exchange Account sells gold to the Bank, the Bank writes the gold down to its statutory valuation of 85s. per fine ounce, and the Exchange Account has to stand the resultant loss. Thus, if this process is repeated indefinitely, the Exchange Account will shrink in size, and in

time it may need enlargement by fresh legislation. Within this limit, which is still very wide, it is fair to say that the fiduciary note issue can be used as an auxiliary to the Exchange Equalisation Account. It is almost fair to say that the total resources at our disposal for exchange control have become the Exchange Account *plus* the fiduciary note issue, but in view of the numerous complicating factors, including the need for compensating action similar to that of last summer, I do not wish to press this argument too far.

In conclusion, we have now established an elastic form of gold standard, of which the following are the main qualities:—

(1) There is no fixed gold parity for the pound, or for most foreign currencies. The pound and the guilder are in law completely free from gold, and other currencies, such as the dollar and French franc, are only loosely anchored to gold. There is, however, international agreement to minimise fluctuations in exchange rates.

(2) The Bank of England is no longer bound to sell gold. It is still bound by law to buy gold, but with a market price of over 140s. per fine ounce, no one will sell gold to the Bank at its statutory buying-price of just under 85s. per fine ounce, which is all that the Bank is bound to pay. There are thus now practically no direct transfers of gold between central banks.

(3) Most countries have established Government-controlled Exchange Funds. The American Exchange Fund has followed the British precedent, so that both funds are now stocked with gold and their own currencies. So far as can be told, the Dutch Exchange Fund is in the same position. Incidentally the Dutch central bank bought gold from the Dutch Exchange Fund at almost the same time as the Bank of England bought its £65 millions of gold from the British Exchange Fund. This suggests that the Dutch Fund was also becoming too replete with gold. The French Exchange Fund consisted originally of gold, derived from the revaluation of the nation's monetary gold at the time of the devaluation of the franc. Apparently it can thus only operate one way, but as all the subsequent pressure has been against the franc, it has only had to sell gold, which is just what it is able to do. Indeed, when the French sterling credit was repaid last November, it had to obtain gold reinforcements from the

Banque de France. The result is that international transfers of gold now take place between Government Exchange Funds in place of privately initiated shipments from one central bank to another. Thus the foreign exchanges have become a matter for Government control, conducted for the moment in a spirit of international co-operation.

(4) We have developed all the details necessary to the proper working of our own Exchange Account, and for its incorporation in our general monetary machine. In particular, we have discovered under what circumstances gold ought to be transferred between the Issue Department of the Bank of England and the Exchange Equalisation Account. We have also found that variations in fiduciary note issue may be useful as an auxiliary to the Exchange Account.

In amplification of this last point, the whole object of the Exchange Account is to insulate our internal credit system from the effects of pressure in favour of or against sterling, whenever such insulation is desirable. All the subsidiary devices described above are designed towards that general end. Admittedly a monetary system of this kind calls for very careful management, for at times it may be right to allow exchange movements to affect the internal credit base. Our prices may be out of line with those of other countries, or our home activities may need either a stimulus or a curb; and in those circumstances insulation would be definitely harmful. Still, we have a complete system of insulation against the shocks due to the fortuitous movement of foreign funds and we have learned how to use it. How we should use it in the future must depend upon how events develop at home and abroad, and this is beyond the scope of this article. All I have tried to do is to describe the growth and nature of a new, delicate and complicated piece of financial machinery, originally intended as a stop-gap, but which may become a permanent part of the mechanism of our own and other countries. This machinery must necessarily be operated by the recognised authorities, but public opinion, which in democratic countries is ultimately responsible, should at least understand its nature, possibilities and limitations. This is what I have tried to explain.

NORMAN CRUMP.

January 5th, 1937.

Notes of the Month

The Money Market.—The main event during December was the purchase by the Bank of England of £65 millions of gold accompanied by a simultaneous reduction of £60 millions in the fiduciary note issue. The net result of these two operations was an expansion of £5 millions in the credit basis, and up to the New Year this expansion had been more than absorbed by the Christmas increase in the note circulation. No official explanation of the underlying motives has been given, but probably what has happened is an interchange of gold for Treasury bills between the Issue Department of the Bank of England and the Exchange Equalisation Account. It is known that the Exchange Account had previously had to absorb £40 millions of gold, shipped from France in repayment of the French Treasury's sterling credit, and conceivably the Exchange Account had come to possess an excess of gold and a shortage of sterling. This sale of gold to the Bank provided an obvious remedy, while the reduction in the fiduciary note issue, effected by the transfer of Treasury bills from the Issue Department, prevented the operation causing a sudden big expansion in the credit basis. The real significance is that henceforward variations in the fiduciary note issue are being used to supplement the functions of the Exchange Equalisation Account as an insulator of the internal credit basis from the impact of movements of foreign funds into or out of London.

The 1928 Currency and Bank Notes Act gives power to the Treasury to reduce the fiduciary note issue below £260 millions, at the request of the Bank of England and without resort to Parliament. The fiduciary note issue now stands at £200 millions, and while the wording of the Act is not very clear, apparently the fiduciary note issue can be increased by administrative action and without Parliamentary sanction, so long as it does not exceed £260 millions. This gives the authorities a certain amount of latitude, and should funds leave London so that the Exchange Equalisation Account has to sell gold, then eventually the Exchange Account may buy gold back from the Bank and the fiduciary note issue may be increased to offset the Bank's gold sale. All these questions are discussed in greater detail in the previous article.

The other development of December was the Christmas increase in the note circulation, which raised it on December 23rd to the record level of £474 millions. The actual increase since the middle of November was £29 millions, which was slightly greater than that of previous years. One effect of this increase was to deplete the joint-stock banks' supplies of cash, and this reacted upon the discount market. Moreover, most of the funds released early in the month by the $3\frac{1}{2}$ per cent. War Loan dividend payment were at once absorbed by a heavy call on the new Funding Loan, and so there was not the usual abundance of money early in December. During the whole of December the banks only bought bills very sparingly, and were also not lending to the market as freely as usual. This caused rates to harden, and on December 11th the average tender rate for Treasury bills was almost exactly $1\frac{1}{32}$ per cent., while the market rate rose to $1\frac{5}{8}$ per cent. Rates eased later in the month, but it is a long time since Treasury bills have been placed at over 1 per cent.

From Christmas Eve onwards the market was preparing for the end of the New Year. A large amount was borrowed from the Bank on Christmas Eve, when three days' Treasury bill payments had to be met, but during the last few days of the month heavy Treasury bill maturities provided the market with sufficient funds, so that, as the final Bank return for the year showed, the Government rather than the market borrowed from the Bank. Normal conditions were restored early in January, and the usual ease of the past few years now prevails.

The Foreign Exchanges.—The London market was very quiet during December. Sterling weakened fractionally during the constitutional crisis, but rapidly recovered, and by the end of the month had improved against the dollar to \$4·91. This was partly due to the temporary transfer of American banking funds to London to take advantage of the higher rates obtainable in the London money market during December for loans into the New Year. The American authorities have decided to alter the method of operating their Exchange Stabilisation Fund. Henceforward it is intended to issue Treasury bills to finance the Stabilisation Fund's gold purchases. This brings it more into line with the British Exchange Equalisation Account, for as the British Account buys gold it reduces its holding of Treasury bills so that more bills are issued to the market. The

important consequence in the United States will be that the Stabilisation Fund will be able to hold gold itself instead of passing it on to the Reserve Banks, where it swells the credit basis and member bank reserves. As explained in the leading article in this issue of the REVIEW, the Stabilisation Account is now to be stocked with dollars as well as gold, and so will be able to act as both buyer and seller of gold for dollars. The franc rate has been pegged by the French authorities at Frs.105·15 to the pound, with little apparent change in its underlying tone. The French authorities have made a special offer to French nationals who are hoarding gold. They are invited to subscribe to a new $3\frac{1}{2}$ per cent. loan, and while these subscriptions are only accepted at the former gold parity ruling up to last September, the loan is redeemable in three years' time at a premium of 40 per cent. So far this new loan has only met with a partial response. Dutch guilders were very strong up to Christmas, largely because of purchases of spot guilders to cover forward sales of three months' guilders made at the end of September immediately before the guilder went off gold. Swiss francs have been very steady. By all accounts Switzerland is experiencing a good winter sports season, and this should help the franc. The Argentine Government announced early in December that their official rate for selling foreign exchange to importers and other remitters of funds had been reduced from 17 to 16 pesos to the pound sterling. This change was necessitated by the fact that the free rate for pesos had fallen to below pesos 17, and since the reduction in the official rate the free rate has fallen to 16·05 pesos, or practically to the new official rate. Good harvests have lately strengthened Argentina's trade balances, and she now holds large foreign exchange reserves. She is, in fact, nearly in a position to remove her entire system of exchange control. The disturbed conditions in Spain have necessitated the suspension of the Anglo-Spanish Clearing Agreement. A Treasury order has been issued to the effect that sterling due for goods imported into the United Kingdom after December 19th is no longer payable to the Anglo-Spanish Clearing Office.

The Stock Exchange.—Markets were subdued during early December as the result of the crisis, but have since rallied, and the month closed with a quiet but firm tone. British Government securities are still slightly below their November level, but the Bank's December gold purchase and the strength of

sterling had a good influence. The new Railway Rebates Loan has been well received by the market. Home rails have been quiet but steady, but have also not quite recovered to their November level. Argentine rails have been strong as a result of the improvement in the Argentine exchange position. Industrials remain strong, and here the set-back of early December has been more than recovered. Elsewhere the main influence upon markets has been the rapid rise in commodity prices. There have, in consequence, been further appreciable advances in both rubber and base metal shares. The oil share market has been strong. Gold mining shares have remained firm, but without any marked change. On the whole, December was as good a month for the stock markets as could have been expected, and it also showed that markets possess a considerable amount of underlying strength.

Commodity Prices.—Wholesale prices continue to advance both here and abroad, and in England the rate of increase during December became even more rapid than before. Some indication of the total increase since last summer is given in the following table, relating to the position at the end of December :—

	Increase since		
	end Dec. 1935	end May 1936	end Nov. 1936
	%	%	%
Food	+15·8	+21·9	+4·0
Materials	+11·8	+11·5	+3·2
Total ...	+12·8	+14·5	+3·4

During the past year there have been a large number of big price increases among the leading commodities. Some of these are cited below, December, 1935 and 1936, being compared in each case.

Outstanding Price Increases

Cocoa	+121%	Copra	+47%
Wool tops (cross-bred)	+ 60%	Maize	+40%
Rubber	+ 53%	Wheat	+38%
Lead	+ 48%	Copper	+29%

These percentages are based on the average prices for each month and differ slightly from those based on the prices current at the end of each month. They show the magnitude of the 1936 price increases in these eight staple commodities. There is no doubt that the 1936 rise in British wholesale prices

has been both rapid and unbalanced. It has also been more marked than in the United States, for the American wholesale price index number only rose during the year by 5·7 per cent. It is difficult to judge the real extent of the year's advance in Continental wholesale prices, partly because the latest figures are not yet available in every case, and also because of the disturbance caused by the autumn currency devaluations. Still, there is a tendency for sterling to have become slightly over-valued during the year.

Fortunately, 1936 witnessed only a moderate rise in the cost of living in Great Britain. The official index number rose between December 1st, 1935 and 1936, from 47 to 51 per cent. above its pre-war level, or by only 2·7 per cent. This contrasts with the 12·8 per cent. rise in wholesale prices. Again, retail food prices only rose during the same period from 31 to 36 per cent. above their pre-war level, or by only 3·8 per cent. This contrasts with the 15·8 per cent. increase in wholesale food prices. For the moment, therefore, the upward trend of wholesale prices is not greatly affecting the cost of living, and there was during the year only a moderate increase in the general level of wages. These very limited movements reduce greatly any tendency for the pound to become over-valued against other currencies.

Overseas Trade.—Both imports and exports in November were slightly less than those of the preceding month. This is partly due to the fact that November was a day shorter, but the fall was more noticeable in the case of exports. Comparative returns for October and November of the two past years are given in the following table :—

	Imports.		British Exports.		Re-exports.	
	1935	1936	1935	1936	1935	1936
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
October	73·4	80·5	39·9	41·8	4·7	4·5
November ...	71·5	78·7	39·4	38·4	4·6	4·3

Comparing November, 1935 and 1936, there were increases in all classes of raw material imports, the biggest increases being in imports of timber and wool. The increase in food imports was largely confined to the grain group, and was mainly caused by the intervening rise in grain prices rather than by any expansion in the volume of imports. There was also an increase in the value of imports of manufactured goods,

notably in those of machinery. Exports of British goods were lower in 1936 than in 1935. The main decreases were in those of coal and non-ferrous metals.

The returns for the first eleven months of the past two years are summarised below :—

Description.	Jan.–Nov., 1935.	Jan.–Nov., 1936.	Increase (+) or Decrease (—)
	£ mn.	£ mn.	£ mn.
Total Imports	683·6	765·9	+ 82·3
Retained Imports	633·8	711·6	+ 77·8
Raw Material Imports	188·8	222·2	+ 33·4
Manufactured Goods, Imports ...	168·7	193·8	+ 25·1
Total Exports, British Goods ...	391·0	400·2	+ 9·2
Coal Exports	29·2	26·8	— 2·4
Iron and Steel Exports	33·0	32·7	— 0·3
Cotton Exports	55·4	56·1	+ 0·7
British Manufactured Goods, Exports	302·8	310·6	+ 7·8
Re-exports	49·8	54·3	+ 4·5
Total Exports	440·8	454·5	+ 13·7
Visible Trade Balance	—242·8	—311·4	— 68·6

These returns confirm the general trend of previous months. Imports are considerably greater than in 1935, and this is due to the internal trade activity, to re-armament, and also to the greater cost of most of our food and raw material imports. Exports are still hanging fire. Coal exports are lower than last year, and there is clearly only a limited amount of British iron and steel products available for export. There has been a moderate increase in exports of British manufactured goods. The adverse trade balance for the whole year now seems likely to exceed £350 millions, against a 1935 adverse balance of £275 millions.

Home Reports

The Industrial Situation

Home trade made further progress during the closing weeks of the year, but the rate of improvement was perhaps not quite so rapid as earlier in the autumn. The constitutional crisis only had a slight and temporary effect on the consumption goods industries, and business immediately picked up again as soon as it was over. Probably what is now happening is that many undertakings are working at capacity, while the shortage of skilled labour is becoming more marked. Thus home deliveries are being delayed, while export orders cannot be easily accepted. If so, it is easy to see why the rate of progress has slowed down, and once the many new factories now under construction are completed, there should be a further expansion in trade. Generally speaking, recovery is likely to last longer if it does not proceed too rapidly, and there is no indication that we are anywhere near the peak of the trade curve. The rearmament programme will keep many industries busy for several years to come, and plans for new plant are being announced every day. The need now is more for the training of a sufficient number of skilled workers. To judge from the returns of plans passed by local authorities, house-building may begin to decline in volume, though the effects of the new overcrowding legislation have still to be foreseen. Work on the construction of new factories is also providing a considerable amount of new employment for the building trades. Thus, taking a general survey at the beginning of the year, the outlook for the capital goods industries remains promising.

The outlook for the consumption goods industries is also better than it ever has been since the present recovery began. The expansion in the volume of employment, and the upward trend of wages, profits and dividends has increased spending throughout the whole country. November retail trade was 6·3 per cent. higher in value than it was a year before, and the improvement is mainly in sales of clothing (both men's and women's) and in boots and shoes. This is very indicative of the general recovery in the standard of living. Christmas trade was good, in spite of the unsettlements of early December. The note circulation rose to a new high record of £474 millions, and the actual pre-Christmas currency expansion of £29 millions

was greater than those of previous years. December bank clearings tell the same tale of heavier spending, while the railway passenger traffic returns show that more people were travelling. Increased activity, compared with previous years, was also reported by the Post Office.

Most of the general trade indicators are good. The volume of employment is rising, there is a greater consumption of electric power, more goods are moving on the railways, and last month there was a revived demand for industrial chemicals. Raw material imports were greater in value than a year ago, but due allowance must be made for the intervening rise in prices. Exports are lagging behind, for the reason already mentioned, but coal shipments to France and Italy are improving, while the rise in the price of primary products is restoring the purchasing power of our chief overseas markets, if only we can take advantage of it.

One cause of anxiety is the rapid rise of commodity prices during recent months. So far it has not had any noticeable effect upon production costs, for the year's increase in wages and the cost of living is very moderate. Nor is it making any inroads upon industrial profits, while its assistance to our overseas markets has already been mentioned. Still, there is no doubt that the previous surplus stocks of staple commodities are being rapidly absorbed, and restriction schemes devised to meet the exigencies of depression are beginning to need modification to conform to conditions of world recovery. Unless they can be operated with considerable elasticity, there is a danger of shortage of supplies and the growth of unsound speculation and excessively high prices. Also, if the general advance in world prices continues, it must eventually begin to raise costs. Again, it will increase the demand for credit, for more money will be needed to move a given quantity of goods, and so in time the present abundance of cheap capital and credit will begin to diminish with an ultimate prospect of higher money rates. Finally, from our point of view the rise in prices is increasing the cost of our imports, to the growing detriment of our trade balance.

All these are remote dangers, and at the moment the world outlook is good. Trade in the United States is improving, apart from the new menace of labour troubles. In South America, the improvement in the Argentine exchange position is very significant of the recent recovery. Empire

news remains good. In Europe, the former gold *bloc* countries are beginning to benefit from the stimulus of devaluation, though France is still experiencing labour disputes. Germany is carrying through her rearmament programme at the cost of a hard winter for many of her people. Reports from Scandinavia are good. Finally, international politics, though still a cause of anxiety, are not retarding business to the same extent as during the earlier months of last year. Thus while there is in some directions need for greater circumspection, the New Year's trade outlook at home and abroad is better than it has been for several years. The main doubt is over the outlook for 1938 and subsequent years.

Agriculture

England and Wales.—According to an official report work on the land was fairly well forward at the beginning of December. Early sown corn has germinated well. The quality and condition of the potato crop is fair, and the total production is provisionally estimated at 2,813,000 tons. Mangold roots are of medium size and good quality, and the total production is expected to be about 4,625,000 tons. The yield of swedes and turnips is estimated at 12·5 tons per acre, or 0·8 tons above the ten years' average. The sugar beet crop is generally satisfactory, and the sugar content should be slightly above that of last year. Cattle and sheep have made average progress, and the amount of winter keep is expected to be sufficient. Milk yields have shown a seasonal fall.

Scotland.—The outstanding features in the returns of the produce of crops in Scotland for the year 1936 issued by the Department of Agriculture a few days ago are the decreases in the grain and hay crops and the increases in the potato and root crops. Broken weather has continued to interfere with winter work in most districts, but on the whole ploughing and other farming operations are quite well forward for the season. Many districts complain of the growing scarcity of farm workers. The turnip crop is proving fairly good, while sugar-beet is reported to be rather above the average as regards condition and quality. Winter wheat has found a good bed, and early sown fields are already showing a healthy "braird." In the produce markets all classes of grain have been in small supply and dearer. The potato trade has been quieter with the

approach of the holiday season, but prices are steady, with Kerrs Pink at 95s. per ton on rail. In the livestock markets cattle and sheep have been forward in average numbers. Quality has been satisfactory, and good prices have been obtained.

Coal

Hull.—An increasing demand from abroad has created a very strong market. Available supplies are inadequate, and prices are still on the up-grade. Inland industrial demand also remains strong, and domestic requirements have increased owing to the more seasonable weather. Collieries are very well placed for all qualities.

Newcastle-upon-Tyne.—Collieries are fully stemmed, and new business is almost impossible to arrange. Prices for any free coal are somewhat inflated, and there is little doubt that the market will remain strong for a considerable time. Supplies of coke are also difficult to obtain. Makers are well booked ahead, and any further business is difficult to negotiate.

Sheffield.—The market for industrial fuels of all grades is strong. In the export market there is a fair demand for all qualities, and a scarcity of supplies of certain grades. The demand for household fuels is well up to average for the time of year.

Cardiff.—There has been a general improvement in the South Wales coal trade. Inland demand is brisk, and enquiry from overseas buyers is also good. France is taking an increased quantity for the first few months of 1937, and large contracts have recently been concluded with the French railways. All classes of large coals are steady, and there is an active demand for wrought through coals, especially for sized coals, and washed and unwashed smalls. Shipments at the docks are also much busier. All the loading appliances are occupied, and in some cases steamers are waiting for berths.

Newport.—Foreign coal shipments during November totalled 156,000 tons, against 165,000 tons in October, and 210,000 tons in November, 1935. Dock shipments, foreign and coastwise, amounted to 242,000 tons, an increase of 1,000 tons over October, but 32,000 tons less than in November, 1935. Home demand, which has been fairly brisk, has helped to compensate for the loss in exports. Further amalgamations

of colliery interests are expected in Monmouthshire, and these should lead to greater co-ordination in selling.

Swansea.—The anthracite market presents a moderately good tone. Supplies of best qualities are easier to obtain, and second and third qualities are in good demand. Rubbly culm continues good, and duffs are increasing in strength. The steam coal market is improving. Most qualities of large steams are in better demand, and supplies of smalls are difficult to secure.

East of Scotland.—In Fife first and third class steams are moving off freely, being booked up for several weeks ahead. Washed fuels of all classes are in good demand, and recent prices are well maintained. The position is much the same in the Lothians, where collieries are working full time to cope with the demand.

Glasgow.—Production was hampered to some extent during early December by the scarcity of boats at loading ports owing to fog and stormy weather, and also by a shortage of wagons. The arrival of more tonnage, however, caused an improvement, and although some short-time working was occasionally necessary, the position at the collieries was on the whole very satisfactory throughout the rest of the month. Collieries were heavily contracted, and supplies of round coals and washed nuts were practically unobtainable for December delivery. Important quantities of large coals and smalls were absorbed in the West of Scotland by gas and electricity works. Forward contracting was restricted, as the collieries, who were already fairly heavily committed, were unwilling to enter into further engagements, except at prices which proved as a rule unacceptable to importers abroad.

Iron and Steel

Birmingham.—Prices of ordinary grades of pig-iron were increased during December by 6s. per ton and heavy steel sections by 3s. per ton. Hematite pig-iron is also expected to be increased in the near future by 15s. to 20s. per ton, as these premiums have already been paid. Demand generally has increased faster than production, and a definite shortage of supplies is expected. One difficulty is that members of the Continental Cartel are busy in other markets, and even with

the reduced imports, deliveries are falling behind, and Continental suppliers say that they are unable to help the position.

Bristol.—A shortage of materials is understood to be responsible for a slight increase in the number of persons temporarily unemployed. The position is, however, better than a year ago.

Sheffield.—The position in the steel producing section remains very satisfactory, with perhaps some increased pressure in the basic steel market. Plants continue to work to capacity, yet arrears in deliveries appear to be increasing. Stainless steel is becoming more and more popular, and new uses are continually being found for it. The demand for A.I.D. inspected steels is particularly brisk. The tone of the scrap market is much firmer, and prices slightly harder.

Tees-side.—Iron and steel manufacturers are not yet able to fulfil all their obligations, and deliveries are falling seriously into arrears, while demand still tends to expand. Increased output is urgently needed in all branches of pig-iron and in most departments of the steel trade. Cleveland iron prices have been increased, and are not likely to be changed before June, but makers are so heavily sold forward that they cannot accept any appreciable tonnage of new business. Consumption of East Coast hematite has also outstripped production. Structural engineers, shipyards and re-rollers are all calling for larger supplies of steel, which manufacturers are unable to furnish. Further steel producing plant is being prepared for operation.

Newport.—All the works continue busy. Demand remains brisk, and longer margins are asked for delivery. There was one arrival of machinery from the United States for a local works in November, and this is likely to be followed by considerable shipments for the new Ebbw Vale works during the next twelve months.

Swansea.—There was an improved demand for tinplates during November, and orders are heavier than they have been for some time. The industry was employed at 64·55 per cent. of capacity.

Glasgow.—Production of finished and semi-finished steel is on a large scale, but home demand is so strong that, in spite of recent additions to plants, makers cannot cope adequately

with consumers' requirements. Raw materials are scarce, owing partly to the difficulty of getting deliveries from the Continent, and increasing costs of production are forcing prices upwards. Shipbuilders, structural engineers and re-rollers are specifying very large tonnages of steel, and deliveries are considerably in arrear. Sheet makers are also very busy. The recent improvement in the tube trade is fully maintained. As regards pig-iron, production is still confined to fifteen furnaces, six of which are making foundry, six hematite and three basic quality, and outputs are readily absorbed. There is little indication of any improvement in the export demand for iron and steel.

Engineering

Birmingham.—Increasingly active conditions have prevailed in both the heavy and light sections. Foundries are working at pressure. Manufacturers of drop forgings, stampings and springs are very active. Motor-car manufacturers continue very busy, and makers of motor-car components are fully employed. Electrical engineers are receiving good orders. There has been a slackening in the building trades owing to bad weather, but there is still much work on hand, and the demand for constructional material remains high.

Bristol.—The general engineering and aircraft manufacturing sections are extremely busy, and are prepared to engage any suitable skilled men available. There was a slight increase in unemployment in the constructional section, as work on a local contract had reached the stage where a number of the workers were no longer needed. The West Country has secured important contracts in connection with several schemes which are being begun in Iraq for the erection and electrification of power stations. The switchboards and control panels are being supplied by the Ray Engineering Co., Ltd., Bristol, and the generators are being manufactured by Messrs. Mawdsleys, Ltd., of Dursley, Gloucestershire.

Coventry.—Great activity continues in all branches. The only deterrents to still more activity are an insufficiency of skilled operatives and some shortage of steel. Motor vehicle manufacturers are fully employed, and the pedal cycle trade is largely expanding.

Leeds.—The improvement continues, and there is a shortage of suitable labour.

Manchester.—Trade remains good and substantial orders are being received, while buying directly in connection with the re-armament programme is still taking place. General engineers and the shipyards are also buying plant. During the last month a good volume of export trade has been obtained, notably from Australia, Sweden and Japan. Adequate supplies of raw materials can be obtained from regular suppliers, but prices generally show a tendency to rise, and a shortage of skilled labour is being felt by many employers.

Sheffield.—The general engineering trade is well employed, and many firms are fully booked up for a considerable time ahead. With the exception of a seasonal decline in the tools required by the building trades and by gardeners, the Sheffield tool trade is very active. It is proving difficult to meet the exceptionally heavy demand for engineers' small tools and precision tools, and complaints regarding deliveries are not infrequent. The file, hack-saw and twist-drill sections are working to capacity, but most of the output is for the home markets, export business being rather quiet.

Wolverhampton.—Industrial activity continues with increased vigour as many firms are endeavouring to clear arrears of orders prior to the close of the year. Constructional engineers are experiencing a steady demand for material for factory extensions as one scheme follows another. The new aircraft and ball-bearing factories are both in production. General engineers are well employed, and makers of electrical machinery and equipment are still working at full pressure. The motor vehicle trade and suppliers of components and accessories are also favourably situated, while manufacturers of aircraft components are exceedingly busy.

Glasgow.—Conditions are steadily improving in the Clyde shipbuilding industry, and there has been a particularly marked and welcome increase in the number of mercantile contracts announced. During December about 25 new orders were intimated, bringing the number of ships contracted for since September up to about 70. Some further Admiralty work is also likely to be forthcoming, and prospects are therefore good. Marine engineers are actively employed, several operating night and day, and boiler-makers are also very busy.

Metal and Hardware Trades

Birmingham.—The cold rolled brass and copper section has been busy. There was a slight increase in prices in certain lines during December, and this tendency to firmer prices is expected to continue. The hardware trades are active with a heavy seasonal demand, and export business is good.

Sheffield.—The improvement in the cutlery, E.P.N.S. and sterling silver trades was well maintained during December. The rush to complete Christmas orders was more pronounced than ever, owing to buyers leaving the placing of orders till the last minute. Many firms, after months of slackness found it difficult to cope with the late demand. Export trade shows a welcome sign of improvement.

Wolverhampton.—The hollow ware, hardware and sheet metal industries are all experiencing increased demand. Locks and general ironmongery are also in constant request.

Chemicals

Home trade in the chemical market was fair during November. Industrial chemicals were more active than for some time past, and new business was satisfactory. Wood distillation products continued fair, but as stocks are still available, prices remain unchanged. Business in the heavy coal tar products was dull. Interest in pharmaceutical chemicals was also limited. Imports have again increased and exports decreased considerably as compared with November, 1935.

Cotton

Liverpool.—There have been several interesting features during the past month, and while fluctuations in values have been within narrow limits, the cotton market continues to share in the upward trend of commodity prices. "Futures" contracts for near months temporarily touched new high levels for the season, and were not disturbed by the uncertainty resulting from the political crisis and the textile labour dispute. The confirmation of the previous Washington Bureau report, the virtual cessation of new crop "hedge" selling, the shortage of contracts on persistent trade calling, and the prospect of early releases of "Loan" cotton, are the factors contributing to a steady American market free from external speculative activity.

The heavy mill forwardings in the United States continue, and with the European increased demand maintained the record consumption figures of last season seem likely to be surpassed. In the Egyptian section Sakellaridis F.G.F. fell 150 points on renewed speculation. Manchester presents a firmer appearance after restricted trading throughout the month. Satisfaction is expressed at the outcome of the spinners' wage dispute and enquiries are good in all sections. Spinners, however, have advanced their prices in order to cover the higher costs. American and Egyptian yarns have been firmly held.

Manchester.—Following upon the yarn selling scheme and the advance in weavers' wages the tone of the market has continued very firm. The volume of export trade has again been disappointing. While a shade more business has been done with South America and West Africa, the demand from India and Egypt continues on the light side, and time is required for the enhanced values to be fully accepted by buyers. The basis of import quotas for Nigeria and the Gold Coast has now been brought into line with that operating in the other colonial markets by including goods from all foreign countries, and not only from Japan. A development that is causing a good deal of concern is the recent rapid increase in the import of Japanese grey cloth into this country. Whereas in the years 1934 and 1935 imports from Japan were 850,000 and 8,000,000 sq. yards respectively, these have now risen to the rate of 20,000,000 sq. yards per annum. As over 90 per cent. of this commodity is, after finishing in Lancashire, re-exported, no customs duties are payable.

Wool

Bradford.—Quotations for merino tops remain firm, but users appear to be covered well ahead. Spinners are asking high prices for all qualities of yarn, and machinery is well employed.

Huddersfield.—Activity in the woollen and medium worsted trades has been well maintained. There has been a further improvement in the fine worsted section.

Hawick.—In the Border tweed trade merchants are still hesitant about placing orders, and neither on home nor continental account is business up to expectations. The hosiery and underwear branch is also quieter save for special lines,

although, owing to the further advance in the price of wools, buyers of knitted goods for outer wear have been placing orders for some months ahead. The fact that wool prices have advanced so much recently may upset the position all round, but it is not anticipated that current prices for manufactured goods will alter much for some time yet. Dyers and spinners are fairly busy.

Other Textiles

Dundee.—The raw jute and the Calcutta goods market have both been firmer, and some business has been done, although buying can scarcely be termed general. The markets in jute yarns and jute fabrics are lacking in interest, as buyers are still unwilling to pay the prices asked. Any orders are therefore for small quantities.

Dunfermline.—Active conditions prevail in the Fifeshire linen trade, and although buyers are backward owing to the sustained rise in prices, manufacturers are firm in their demands. Spinners are also busy. The raw material position remains steady.

Clothing, Leather and Boots

Bristol.—The clothing trade generally is better than it was a year ago. There has been a slight increase in short-time work in the ready-made and wholesale bespoke sections, but in other sections employment has been relatively satisfactory.

Leeds.—Employment in the clothing trade remains extremely good. The shortage of labour is becoming more pronounced.

Leicester.—Wholesale shoe distributors think that prospects for 1937 are very bright indeed, and are making arrangements accordingly.

Northampton.—Trade in boots and shoes has been irregular. Leather prices remain firm in all sections.

Shipping

Bristol.—Arrivals of vessels and the volume of imports remain satisfactory. The year's traffic is the highest yet

recorded. Imports of all the main classes of goods have been well maintained. Imports of grain, oilseeds, feeding-stuffs, petroleum, timber and wood pulp all show large increases over those of 1935. The movement of traffic from the docks has been brisk.

Hull.—There has been a slightly increased demand for tonnage. Rates for all directions are very high.

Liverpool.—Homewards very strong conditions have prevailed. Tonnage has been scarce for early loadings and sparingly offered for later positions. The River Plate has been exceptionally active with rates very firm to above schedule, while Australia continues with a strong tone. Outward coal chartering has been quiet, but values remain firm on fair enquiry for American trades.

Newcastle-upon-Tyne.—Chartering is fairly brisk in all directions. The difficulty in obtaining loading turns is affecting business, but rates remain on a higher basis than of late. Alexandria is quoting at 8s. to 9s., and for other Mediterranean ports rates are in proportion. The Baltic is firm, and coastwise tonnage is scarce, Rouen having paid 6s. 6d. to 7s. for fair-sized steamers.

Southampton.—Although the final figures relating to the yearly returns of shipping traffic at Southampton Docks during 1936 are not yet available, it may be stated that fresh records were established in respect of the amount of shipping tonnage which used the docks and the number of passengers dealt with. Approximately 18,250,000 tons of shipping entered during the twelve months ending December 31st, 1936, compared with 17,991,539 tons in the preceding year. More than 550,000 ocean and cross-channel passengers embarked or disembarked during the year, representing an increase of one per cent. over the previous highest yearly total of 544,446 in 1930. The volume of freight handled in 1936, although not of record proportions, was the highest for a number of years and exceeded 1,100,000 tons. Imports and exports both registered substantial advances over the corresponding aggregates for 1935.

Cardiff.—The freight market has been firm, and owing to the shortage of tonnage, rates have improved for the deep sea ports from 1s. to 2s. per ton. There is a strong demand

for French Atlantic ports and the coastal trade, which show considerable improvement.

Newport.—Freights have been firmer, and the market has shown some expansion. Demands for tonnage for France are likely to increase, and the Italian and Argentine requirements should also make for higher freights. Strikes and bad weather delayed arrivals considerably during December.

Swansea.—While demand has not been particularly active, owing to the scarcity of tonnage, rates for North France and the Bay have increased, and have reached the highest levels seen for some years. Little business offers for the Mediterranean, although there are now prospects of increased shipments for the Italian ports.

East of Scotland.—There were only fifteen vessels on loading turn at the Forth coaling ports in mid-December. Coal imports at Leith docks again decreased during November, but business generally showed some improvement over the corresponding month of 1935. There is little prompt enquiry for freights, but the market continues firm.

Glasgow.—Business was quiet in the coal freight market during December, as not only were enquiries circulating sparingly, owing to the limited number of f.o.b. orders held by shippers, but owners were also very reserved. The tone was consequently definitely firm in all sections, including the Baltic, in which most of the business was offering. The Bay and coasting markets were quiet but firm, while the Mediterranean was entirely neglected.

Foodstuffs

Liverpool, grain.—Phenomenal activity has taken place in a very strong wheat market, and prices have increased rapidly throughout the month. Northern Manitoba and Australian c.i.f. values for early shipment have risen by 7s. and 8s. per quarter respectively on heavy European purchases and the scarcity and dearness of grain freights. Italy has taken about five million quarters since the beginning of the season, while the United Kingdom is also an important buyer. Weather conditions have improved in the United States winter wheat belt, and the Australian and Argentine harvests continue to

make good progress; in Canada rainfall is below normal. World visible supplies of wheat are estimated at some 150,000,000 bushels below last year. "Futures" prices have increased by 1s. 8d. per cental to 9s. 8½d. A large trade has taken place in all positions for Plate maize, and closing prices show an increase of 8d. per cental.

Liverpool, provisions.—The prices of American hams are unchanged, while supplies of Continental bacon have been quickly consumed. Lard and canned meats maintain firm prices. In the fruit market demand has been quiet but with values maintained. Supplies of Empire butter and cheese have been plentiful, and prices have fallen.

Fishing

Brixham.—Landings of wet fish during November amounted to 3,686 cwts., valued at £5,251, compared with 3,739 cwts., valued at £5,681 for the previous month. Prices were generally lower, ray in particular falling from £4 15s. to about £4 per kit.

Hull.—There were increased landings by British-owned vessels of wet fish during November, the catch being 555,773 cwts., having a first-hand value of £228,949. In November of last year the comparative figures were 540,598 cwts. and £244,012. About four-fifths of the month's landings consisted of cod; haddocks came second and plaice third. Considerable quantities of fish went to the meal factory during the month. December opened with a somewhat better tone. There were more enquiries, but there has been a shortage of supplies.

Penzance.—The herring season started rather late in the Mount's Bay area, but during the early part of December some very nice catches of mixed fish (herring, mackerel and pilchards) were taken. One boat in particular landed a catch of 70,000 fish and realised £107. Herring have been of good quality, and prices were fair. Mackerel were rather small, but demand was good, and prices averaged from 7s. to 4s. per head.

Scotland.—The larger vessels were slack during December pending the beginning of the herring fishing on the East and

West Coasts in the New Year. The line-fishing round the coast was seriously hampered by stormy weather and fog, and the light landings have met a brisk demand, with prices at a high level.

Other Industries

Carpet-making.—Kidderminster reports very brisk business in nearly all branches of the carpet industry. Spool breadth goods, Axminsters and squares are in especially good demand, and spring orders for these qualities are ahead of those for last year. Wilton qualities are also now in fair demand. The rapid advances in wool are serious, and an increase in prices will be inevitable before long, unless there is some relief in the market. Jute and cottons are also dearer to buy. Spinners are busy making yarn for the carpet trade rather than for hosiery. Manufacturers generally show an increased production on the year.

Paper-making and Printing.—Bristol reports that the position continues satisfactory. There has been some improvement owing to Christmas trade, particularly in the printing section. Edinburgh reports a continuance of steady conditions in the paper-making trade, and most of the mills are working full time. The price of paper, notably the cheaper qualities, is firm with the prospect of a further rise in the New Year. The printing trade is experiencing the usual seasonal lull, but this is regarded as quite temporary, and prospects for the New Year appear to be favourable.

Pottery.—Longton reports that Christmas trade was good, and many factories have had full order books. Manufacture of Coronation ware was suspended on the announcement of the constitutional difficulties, and it was feared that considerable loss would occur as a result of the Abdication. Actually, however, owing to the demand for souvenirs, especially in the better class ware, the loss will not be so great as was at first anticipated. Exports of pottery and clay products for November showed a satisfactory increase over the corresponding period of 1935.

Timber.—Hull reports that demand for forward goods is very brisk, and prices are moving upward. The first issue of

Russian goods was over subscribed to the extent of three to four times the quantity available. The effect of this on an already strong market has, naturally, been to increase the demand and strengthen the position of sellers of Scandinavian goods. There is also good demand for spot goods, and these are confidently expected to rise very rapidly, particularly in the favourite sizes, most of which are already scarce, and many of which are expected to be non-existent quite early in the New Year.

Newport reports that Pitwood imports showed a serious decline in November amounting to only 790 fathoms. Other timber imports were limited to 668 standards, which compares poorly with 1,819 standards in October, and 2,492 standards a year ago.

Overseas Reports

Australia

From the National Bank of Australasia Limited

Further advances in export prices have stimulated trade in the secondary industries, but the upward movement is less pronounced than in 1935. The construction industry continues active, but textile manufacturers and motor-car assembly works show some recession on their 1935 figures. Seasonal conditions are generally favourable in Victoria and South Australia. Recent rains have partly relieved drought conditions in south-east Queensland and north and coastal New South Wales, but West Australia still badly needs rain in the pastoral districts. A later cable states that recent rains have proved highly beneficial to the coastal districts of the Eastern States, but the outer pastoral country of West Australia remains unrelieved. Wheat harvesting has been retarded. Retailers report that seasonal trade is exceptionally active. On the Stock Exchange Industrials and Barriers show a very strong tendency.

Canada

From the Imperial Bank of Canada

A moderate improvement in general business continues, and the holiday trade indicates a marked expansion. This is true even in the western provinces, in spite of a comparative contraction in bank debits following the light harvest. Economic indices continue to rise irregularly. Car loadings, wholesale prices, bank clearings, bond yields, and stock prices show substantial gains over a year ago. Employment continues its upward tendency and has reached the highest level for the season since 1930. Construction activities, which have lagged behind the general progress, have expanded during the autumn. Contracts awarded are ahead of those for last year, when there was a substantial programme of public works. It is generally considered that the reduction of the wheat carry-over has made for better basic conditions. Mining is a major factor in the recovery. It is estimated that available bank funds in Canada total $2,500 millions, against current loans, including loans to provincial governments and municipalities, of only $820 millions. It is also estimated that Canadian primary production for 1936 showed an increase of $243 millions over 1935.

India

Bombay.—American cotton markets were easy as a result of the varying crop estimates and the disturbed European situation. The December estimate, however, removed fears of a larger supply. The world's consumption of cotton this season is estimated at the record figure of 29 million bales. Prices have recovered owing to the tight spot situation, lower yield prospects for Indian and Brazilian crops, and a general textile revival. Indian crop movements were for a time seriously delayed by abnormal weather. Demand from Europe, Japan, and India is very good. In the piece-goods trade business has been below the normal for the time of year, but the outlook is encouraging. Clearances have been satisfactory, and British goods in particular have been more active. The tone of the market is steady. Forward business is still difficult with prices lower than replacement costs. Clearances of yarns have been below normal but have lately improved. Prices are steady with little forward business. A later cable states that piece-goods show an encouraging improvement, with prices steady. Activity in British goods has been variable. Local goods are steady and Japanese weak. Yarn prices are improving but forward trade is still difficult. Cotton is steady, with local demand stronger than export demand.

Calcutta. — The stock market was affected early in December by the suspense due to the British constitutional crisis, and the price of Government securities fell sharply. After minor fluctuations the recovery was rapid. The raw jute market has, on the whole, been quiet and steady. Baled jute has been more active. There have been very good shipments of hessians which have absorbed all the extra production. Shipments of shellac have been good and the market is steady. Arrivals of sticklac from the interior have fallen, but new arrivals are expected from Bangkok and Rangoon to meet the heavy world demand. No change in prices is expected. The tone at the last four tea sales was less buoyant, with prices occasionally in buyers' favour. Large shipments to Persia continue. Indian prices for hides are still about 5 per cent. too high, and purchases are confined to immediate requirements. Prices have been steady except for certain goatskins, where they have advanced owing to strong demand. Stocks are accumulating, but the cold weather and the good quality of the skins prevent prices from being reduced.

Rangoon.—In the rice market prices have risen sharply owing to demand from European and Far East shippers. Purchases by the latter have been substantial. Sellers have been mostly speculators, the millers having made no forward sales as yet. Paddy prices have followed rice prices, and the season will probably open with paddy at a high price.

The European timber market has been more active and prices continue firm. The Indian market has been quiet on the Bombay side, with a little more business with Madras and Calcutta.

The recent reduction in British replacing costs of the thicker G.C. sheets almost down to the Japanese level has drawn some trade to the former. Advances in Japanese quotations for most hardware lines are attributed to lack of raw materials. British and Continental prices have become firmer in sympathy. Most dealers have quantities on order at the lower prices previously ruling, and with the best selling months ahead the margin of profit should be greater than in previous years. The recent rise in replacement costs has prevented the market from becoming over-bought.

Irish Free State

The comparatively mild weather conditions have favoured pastures and the relatively plentiful supply of keep for outlying stock has enabled farmers to economise in the use of fodder, grain and root-crop reserves. Consequently supplies of mangels, turnips, and grain are above average. The yield of the wheat crop was definitely below that of last year, though the acreage was considerably higher. Oats yielded a variable crop, but on the whole below average. The yield of the flax harvest was in some cases as much as 30 per cent. below average, and the quality was variable. It is estimated that the decrease in the yield of the potato crop will be not less than 15 per cent. Livestock are generally reported healthy and in good condition. The fairs are well supplied, the demand for good quality store cattle being well maintained.

France

The adverse visible trade balance for the first eleven months of the year was Frs.8,568 millions compared with Fr.4,801 millions last year. This increase is due largely to

heavier imports of foodstuffs and raw materials. The trade returns are summarised below :—

	First 11 months 1935	First 11 months 1936	Difference
Imports—	Frs. mill.	Frs. mill.	Frs. mill.
Foodstuffs	5,661	6,915	+1,254
Raw materials	10,117	12,066	+1,949
Manufactured articles ...	3,228	3,404	+ 176
Total	19,006	22,385	+3,379
Exports—			
Foodstuffs	2,251	2,176	— 75
Raw materials	3,902	3,936	+ 34
Manufactured articles ...	8,052	7,705	— 347
Total	14,205	13,817	— 388

The number of registered unemployed on December 12th was 408,453, compared with 424,325 at the same time last year. Railway receipts for the period January 1st to November 24th, 1936, show a reduction of Frs.53 millions compared with the same period of 1935.

The following table gives the cost-of-living index for recent months (1914=100) based on the retail prices of 34 household requisites. Since September, the month immediately preceding devaluation, there has been an increase of 8·1 per cent.

November, 1935	446
July, 1936	461
August, 1936	477
September, 1936	494
October, 1936	515
November, 1936	534

The Bourse has been fairly quiet. The increases in commodity prices have favourably influenced the demand for Internationals. French Industrials remain at about the same level.

Le Havre.—Cotton prices have advanced further with a very firm tendency for near months. The American estimate for December 8th was 12,407,000 bales, of which 11,500,000 bales had been ginned by the end of November. Importers are awaiting some indication of the American Government's intention regarding the 3,000,000 bales of loan cotton. The scarcity of certain grades is now very evident. Demand from the French mills has been quiet, and Havre stocks are 240,000 bales compared with 190,000 bales a month ago.

Coffee prices have been very irregular in a rising market, influenced by heavy speculation in Paris. The advance has been further stimulated by the high prices quoted for shipments from South America. Havre stocks awaiting clearance are 80,000 sacks lower at 806,000 sacks.

Lille.—The cotton market is very active, and although quotations are subject to full reservations as to any future increases necessitated by higher production costs, demand is heavy, and spinners are booked up for many months ahead. This is ascribed in some quarters to fears that a shortage of supplies may occur when the 40-hour week comes into force on January 4th. Only a shortage of skilled labour prevents more machinery being used. Unavailing efforts are being made by employers to postpone the reduction of working hours. Export trade continues to suffer from increased production costs, which may also result in foreign competition in the home market. Prospects are obscure and further demands from the workers are feared.

The flax market is in a sound condition, as both spinners and weavers hold stocks sufficient for some months bought at prices well below current levels. There is little demand for raw materials for replacement, owing to future uncertainty due to the high prices quoted at present by the Russian Monopoly, and doubts as to home demand when the 40-hour week raises prices. Orders are only accepted with full reservations as to future production costs.

Roubaix.—While the demand for tops and noils is still active, the volume of business tends to fall away. It appears that the spinners' immediate requirements are almost satisfied. Prices dropped during the British constitutional crisis, but subsequently recovered and have been firm with a rising tendency. The production of tops is increasing, but there is a shortage of raw wool which will last until the arrival of the new clip in January. Combers should then be well occupied for a few months. Spinners are working full time, but new orders are rare. Spinners are now selling at prices 35 to 40 per cent. above a year ago, and it is estimated that the introduction of the 40-hour week on January 1st will force a price increase of 65 per cent. Manufacturers are well occupied, but 1937 bookings were also affected in January by the imminence of the 40-hour week. Strike troubles have almost ended. Stocks

of tops declined from kilos 9,137,000 in October to kilos 7,663,000 in November, which is well below average for the past seven years.

Belgium

Antwerp.—Raw material prices have been firm, but the Stock Exchange has been irregular. Activity in cereals has been great and considerable business has also taken place in wool at firmer prices. Business in coffee and cocoa has been fair at slightly better prices. The diamond industry is active, and unemployment has been much reduced. The price of timber is rising continually. The industrial demand continues good, with no sign of falling off in the construction of apartment buildings as a capital investment.

Brussels.—The iron and steel trade is unseasonally active, foreign demand being particularly intense in spite of higher prices and long delays for delivery. All categories of coal are in eager demand, and the National Coal Office has authorised the release of a further 800,000 tons, to be taken out of stocks or from increased production, which is only limited by the shortage of skilled labour. Stocks in November decreased by 157,000 tons and are now at 1,340,000 tons, equivalent to about twelve days' production.

Germany

The seasonal decline in business activity has been less than usual. Unemployment rose during November only from 1,076,000 to 1,197,000. The general recovery of 1936 embraced all trades but was most noticeable in the heavy industries. The iron and other metal industries are working at 90 per cent. of capacity and the shortage of skilled labour is more and more noticeable. Building activity has reached a very high level, owing to government contracts, the building of new blocks of flats, and the sub-division of large apartments. Last summer employment in the building trade was 82 per cent. of the pre-depression peak. It is noticeable that the manufacture of the new textile substitute raw materials, such as zellstoft and zellwolle, is benefiting the wood and paper industries rather than the textile trades themselves, which do not find these new materials an entirely complete substitute for imported raw materials. The production of textiles has nevertheless

recovered to its 1928 level. There has also been a satisfactory improvement among manufacturers of household utensils and in the food trades, which points to an increase in consumption during 1936. It is, however, proving difficult to maintain the standard of living under the Four-Year Plan. To mention only one indication, whereas in the past agricultural policy was directed towards the raising of prices, it is now becoming necessary to check the increase.

Holland

Data are as yet inadequate for an estimation of the effects of devaluation, but already certain things are clear. The cost of living has not risen, at least not to any great extent. There has been no noticeable rise in food prices. Wages, moreover, have remained unchanged, nor are there signs of any attempts to raise them. Wholesale prices, on the other hand, have risen. The average index number for November was 69·5 (1926–30 = 100), against 62·6 in September, before the depreciation, or a rise of 11 per cent. Some articles have risen by a much larger percentage, for example, leather (47·9 per cent.) and paper (30·5 per cent.). On the other hand, vegetable foods have only risen by 6·5 per cent., animal foods by 7·6 per cent., and manufactured products by 9·4 per cent. Foreign trade has also risen in terms of value, as is shown in the following returns :—

	Imports (In millions of guilders)		Exports (In millions of guilders)		Percentage of imports covered by exports	
	1935	1936	1935	1936	1935	1936
September ...	76	82	59	72	78·2	87·7
October	94	92	70	75	74·0	81·6
November ...	86	101	60	77	70·4	76·6
December ...	73	—	52	—	71·2	—

Some of the East Indian undertakings have experienced an increase in their profit-earning capacity, particularly in the case of rubber and palm oil. There has also been an improvement in sugar, coffee and tea, but the position of the first two products is not yet satisfactory.

Unemployment in Holland has been favourably affected. The metal, cotton, and diamond industries and mining have improved. Building shows as yet no signs of revival, but there has been increased activity in the port of Rotterdam. The Stock Exchange continues to be optimistic. The money market

is easy and a number of public bodies have not only converted bonds bearing a high rate of interest, but have also consolidated their floating debt. On the whole, depreciation has had its advantage and disadvantage, with an apparent preponderance of advantage. A longer period is required, however, before final judgment is passed. Daily life remains unaffected, and the Government has not resorted to any radical changes in so far as finance and the regulation of trade and industry are concerned.

Norway

The trade returns for November and for the first eleven months of the past two years are summarised below :—

	Nov. 1935	Oct. 1936	Nov. 1936	11 months 1935	11 months 1936
	Kr. mill.	Kr. mill.	Kr. mill.	Kr. mill.	Kr. mill.
Imports	77·5	87·0	95·1	733·9	830·7
Exports	61·0	65·0	69·0	545.0	610·7
Import Surplus ...	16·5	22·0	26·1	188·9	220·0

During November eight ships of 94,055 tons d.w. were recommissioned, bringing the number of idle ships down to 15 aggregating 25,310 tons d.w., or to the lowest figure since October, 1929. This amounts to 0·5 per cent. of Norway's foreign-going merchant fleet against 2·2 per cent. a month earlier. Freight rates for the first three quarters of 1936 were on an average 12½ per cent. above those ruling in the same period of 1935, but profits have not risen in the same proportion.

The following table gives the October index number of industrial production (first half of 1935=100).

	Home Industries		Export Industries		All Industries	
Year	Sept.	Oct.	Sept.	Oct.	Sept.	Oct.
1934 ...	117	109	102	107	112	109
1935 ...	124	120	103	112	117	117
1936 ...	136	134	117	118	129	128

It might have been expected that the October figure would have been higher than September, but the seasonal sharp rise in the export industries failed to materialise owing to seasonal displacements in the production of the canning industry. The general cost-of-living index for November 15th was returned unchanged at 155 (July, 1914=100). The wholesale price

index at December 15th showed an increase of three points, from 137 in November to 140 (1913=100).

Bank rate, which has remained at 3½ per cent. since May 24th, 1933, was raised from 3½ to 4 per cent. as from December 7th, 1936. The National accounts for the period July 1st, 1935–June 30th, 1936, showed total receipts of Kr.475·3 millions and a total expenditure of Kr.446·8 millions, the surplus thus being Kr.28·5 millions. This includes Kr.9·7 millions of expenditure voted but not yet used, so the net surplus is Kr.18·8 millions against Kr.6·8 millions in 1934–35. Whale oil prices show a rising tendency. Some 30,000 barrels were recently sold at £21 a ton for delivery February-April, and it is rumoured that there are European buyers in the market at prices as high as £22 a ton.

Sweden

During December the Swedish timber market was increasingly concerned with orders for delivery in 1937. By the middle of December 325,000 standards had already been contracted for, which is an unusually large quantity. Nevertheless heavy stocks of timber in Great Britain have for the moment curtailed British orders for prompt delivery. Continental demand is obstructed by factors such as tariffs, licences and import fees, and purchases have been below their true requirements. Holland has shown interest in whitewood, and Belgian and Danish buyers are holding off, while sales to Germany are dependent on exchange licences which are not yet forthcoming.

As a result of the trade and clearing agreement with Italy certain quotas have now been fixed for different kinds of pulp, together with measures for liquidating Swedish frozen debts. This is affording some relief to the Swedish pulp market. Interest in chemical pulp has been keen, especially for 1938 delivery. Most of the 1937 output of sulphate pulp has now found a market, and sales of sulphite are well advanced. Prices are firm. Sales of mechanical pulp have been small. The cartel known as Mechanical Pulp Supplies has decided to increase the released quota for 1937, and negotiations are proceeding for larger delivery contracts.

The paper market is now in a better position. Orders have been running ahead of output and most mills are now booked up for five or six months. The newsprint mills have contracts for nearly all their estimated 1937 output. The

rise in prices is still behind the rise in raw material prices. Kraft paper has been sold in quantities, and at Scankraft's meeting on December 9th it was decided to raise several quotations and not to feel bound to quoted prices for more than six months ahead. The new organisation for sulphite paper, "Scansulfit-Norden," has fixed new minimum prices, as has also "Scangreaseproof."

Since the Great War there has been nothing to compare with the present general revival in the Swedish iron market. The foundries are working at full capacity, especially on the more profitable rolling-mill products, and the supply of orders is more than they can carry out. Prices are rising slowly, but the increase in raw material costs, particularly in coke prices and also in ocean freights, is more rapid. There is a marked shortage of charcoal. Swedish export pig-iron is very firm and the output is already sold for a long time ahead. The price of quality steel is improving, and demand is keen, but various restrictions in the importing countries make it difficult to obtain reasonable prices.

Denmark

On November 27th a bill was presented and passed which, until further notice, renders null and void the gold clause in debt certificates issued before September 29th, 1931. Its most important effect is that the coupons of the State loans of 1894, 1899, 1900, 1901 and 1909 will no longer be paid to foreign holders on a gold basis, but in the highest quoted of the various currencies, which as regards the 1894 loan will be in Danish kroner at nominal value, and for the others in sterling. The yearly saving to the State will amount to about three or four million kroner.

Denmark has again obtained a loan in England, from Hambros Bank Limited, of £1·5 million at 3½ per cent., running for 25 years at an issue price of 95½. It has been granted to the Mortgage bank which will use the proceeds to buy State bonds. This will enable the State to reduce its debt to the National Bank, which on November 30th totalled Kr.77·6 millions. The foreign exchange position shows a net currency debt of Kr.36·3 millions, so the new funds will be welcome. Recently the Prime Minister said that the sum of about Kr.40 or Kr.50 millions spent abroad by Danish citizens

is more than is warranted, so that restrictive measures may be expected. It is hoped that they will not be so drastic as to affect the tourist traffic, which brings about Kr.30 millions to the country.

A new bill aiming at simplifying the administration of the Foreign Exchange Control Office has been presented, but as the basic principle that imports remain State-controlled remains unchanged, importers are not enthusiastic. The negotiations for a trade agreement between Denmark and Germany were temporarily suspended on December 9th. Agreement had been reached on many points, but as much remains unresolved negotiations will have to be resumed.

The following table shows recent wholesale price changes :—

	Nov., 1935	Oct., 1936 (1931 = 100)	Nov., 1936
Wholesale prices	126	133	134
Imported goods	130	142	144
Exported goods	149	155	150
Home manufactured goods	124	126	127

The recent increase in Bank rate to 4 per cent. accentuated the weak tendency of gilt-edged bonds. Shipping shares have been very firm. Industrials have been irregular, but on balance show a decline.

The following table gives the preliminary estimates of the grain harvest :—

	1935	1936
	In million Hectokilos	
Wheat	4·0	3·1
Rye	2·8	2·1
Barley	11·1	9·0
Oats	10·4	8·4
Mixed seed	8·5	6·6
Total ...	36·8	29·2

The adverse harvest necessitates increased imports of foodstuffs and contributes to the adverse exchange balance. The existence of large stocks of butter in the United Kingdom and greater production have weakened the butter market, and prices have fallen from Kr.209 to Kr.188, compared with Kr.226 a year ago. The bacon market is firm, and at Kr.164 per 100 kilos prices are Kr.12 above a year ago. As the United Kingdom has increased the bacon quota for the first part of 1937, the outlook is satisfactory. November imports

from abroad were higher than usual, totalling Kr.139·4 millions against Kr.113·4 millions in November, 1935. Exports totalled Kr.113·6 millions against Kr.110·2 millions in November, 1935, and the import surplus Kr.25·8 millions against Kr.3·2 millions the year before.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited

The principal event has been the reduction on November 26th of the Bank rate from 2 to 1½ per cent. The advance rate was also reduced from 3 to 2½ per cent. The gold reserves of the National Bank continue to increase, having risen by more than Frs.100 millions during November. Money is very plentiful and banks have very few demands for accommodation. Swiss industrial and bank shares continue firm. During the last two months exports have shown a welcome tendency to increase. This may be seasonal but it is felt that devaluation has helped exporters. Hotel bookings in the winter resort centres are reported to be very good. Snow has already fallen and there seems every prospect of a profitable season.

Morocco

From the Bank of British West Africa Limited

Well-spread heavy rains throughout the French Zone of Morocco have improved the outlook, but the Feast of Ramadhan kept business quiet during the past month. Prices generally have fallen, but Japanese cotton goods have risen on a fairly brisk demand, and the demand for candles has also slightly improved. Continued nervousness over the future value of the French franc is an adverse feature. Business in exports has been smaller, notably in barley and maize, which have been affected by the new quotas in France for duty-free importations from the Danube. The wheat market awaits definite news of the forthcoming local Government regulations. It is expected that a department in French Morocco will be created similar to the Office du Blé in France. Eggs are weaker owing to the smaller demand from France.

During the first nine months of 1936 total imports into French Morocco amounted to 617,000 tons, valued at

Frs.835½ millions, and exports to 1·6 million tons, valued at Frs.563·3 millions.

Details are given in the following table :—

	Quantity (tons)	Value (Frs. millions)
Imports—		
Cotton piece-goods ...	8,400	62·3
Green tea	5,500	39·1
Automobiles	—	34·0
Sugar	118,000	86·9
Exports—		
Phosphates	950,000	98·3
Barley	218,000	102·5
Wheat	79,000	67·3
Eggs	7,000	27·1
Early vegetables ...	17,000	22·5

Motor car registrations totalled 3,314 in the first nine months of 1935 and 3,223 for the same period in 1936. In 1936 the United States of America supplied 1,592 cars and 523 lorries, and France supplied 791 cars and 89 lorries. England's share in this trade is negligible.

Owing to the situation in the neighbouring Spanish Zone business conditions in the International Zone of Tangier are very quiet. In marked contrast to the last winter season, visitors are few, although Tangier is outside Spanish territory and therefore outside the civil war area.

The United States

Domestic politics were quiet pending Mr. Roosevelt's reinauguration in January, but when Congress reassembled considerable legislation was expected, including, it was rumoured, an attempt to revive the N.R.A. in a new form. Business is continuing its revival, and on a broader basis. Prices of farm products are coming more into line with those of industrial products. As a result of Government policies (both relief and fiscal) spending power has been greater this Christmas. Largely because of the tax on undistributed corporation surpluses, dividends recently declared and payable not later than January 15th have been abnormal, estimates of the total ranging from $750 to $1,000 millions. This may not, of course, be recurrent, but for the moment it is affecting retail trade. Luxury trades and 5 and 10 cent stores are benefiting as well as those for general trade. Commercial failures, however, increased in November. This report was received prior to the beginning of the strikes in certain sections of industry.

Money rates continue easy, but some banks are able to report increased earnings. Deposits with members of the New York Clearing House Association have risen to nearly \$10,700 millions, and the question of excess reserves has again become acute.

The 1936 import quota for sugar was initially fixed at 6,434,088 short tons, but it was subsequently revised to 6,812,687 tons, of which 97¼ per cent. had been availed of by December 1st. The quota for 1937 has been approved at 6,682,670 tons. It would seem that consumption is expected to increase by about 300,000 tons. The rubber market has been quite lively. Consumption by manufacturers is good, 18 per cent. more being used last October than in October, 1935. Stocks in hand show a tendency to diminish. Domestic sales of copper totalled 88,176 tons in November, which, though small compared with October's record figure, is three times the quota of the old copper code. The market tone is steady, developments depending on European demand. Business in tin has been quiet, as sellers have held off pending the announcement of production quotas for the first quarter of 1937. Demand for lead continues brisk, following a sharp upward movement of prices. Zinc prices have also risen, and unfilled orders are said to be in excess of stocks in hand.

In the iron and steel trades 164 furnaces were in blast on December 1st, or three more than a month earlier, and the output of pig-iron in November was 2,947,365 tons, a daily average of 98,246 tons against 96,512 tons in October. Although makers have advanced their prices, orders are coming in rather slowly, and consumers may have covered their commitments in advance. Deliveries of finished products declined in November by 124,774 tons to 882,643 tons. The steel ingot industry is working at 80 per cent. of total capacity.

Exports of raw cotton this season so far total 2,492,733 bales, compared with 2,864,399 bales for the same period of 1935. The final forecast of this year's production was 12,407,000 bales. Speculation has been active recently, the "bullish" tendency now predominating. It is reported that a good number of mills have already received orders covering the whole of the 1937 production of cotton textiles, so the fact that recently sales have been below current output may be disregarded. Prices are firmly held, and orders for quick delivery

are only accepted at a premium. As to woollens, spinners are said to have orders enough until the end of March, but here again quick deliveries are hard to obtain as there are practically no surplus stocks.

South America

From the Bank of London & South America Limited

Argentina.—Good rains have fallen, and the weather has been favourable for the growth of maize plants, which at the end of December were in excellent condition. The cutting of wheat, linseed and oats has continued actively, except for intermittent interruptions due to rain. Camp conditions are excellent everywhere and pastures abundant. In a statement explaining the December reduction in the official selling rate for foreign exchange from 17 to 16 pesos per pound sterling, the Government explains that it has kept the buying rate at 15 pesos so as to secure for itself a margin of profit against any possible loss in the service of the public debt. Exchange dealings are being gradually freed, but the statement hints that a complete return to normality must await world monetary stabilisation. Exports have recovered during the latter part of 1936. For the first eleven months of that year they amounted to 1,448 million pesos, against a corresponding 1935 figure of 1,443 millions. This improvement is due to the rise in prices. Wheat and linseed prices advanced further during last December under the influence of a strong Continental demand, and the cereal outlook is at the moment extremely good. Argentina will shortly be shipping at the full capacity of the ports and railways, a situation which could scarcely have been envisaged three or four months ago.

Uruguay.—A new Trade Agreement has been concluded with Italy, giving Uruguay special quotas for meat and wool shipments. There has been a slight decline in offerings of "free" exchange, but the sterling rate is unchanged. The percentages for the disposal of exchange originating from wheat exports have been fixed at 90 per cent. "free controlled" and 10 per cent. "official." About two-thirds of this season's wool clip has been sold. Japan and the United States were heavy buyers. Wheat prices have risen owing to the removal of export restrictions.

Chile.—The foreign exchange position remains difficult. Sales of gold emanating from Government gold washings have now been suspended. This affects the recent resolution of the Exchange Control Commission permitting the importation of " luxury articles " against " gold exchange." The question of settlement for future imports of luxury goods is now under consideration.

Brazil.—Preliminary trade returns for the first ten months of 1936 were as follows :—

	First ten months 1935	1936
	(£ millions, gold)	
Imports	22·4	24·7
Exports	27·4	31·6
Export surplus	5·0	6·9

This improvement in the export surplus is reflected in a better tendency in the " free " foreign exchange market. The coffee market has been steady to firm. Following a recent Supreme Court judgment the authorities have let it be known that they intend to support the coffee market, and the official price has been advanced.

Japan

A cabled report at the end of December states that the general trend of business activity continues upwards. The rayon output for November again broke previous records. New business in the iron and steel trades is restricted only by the limitation of producers' capacity. Wholesale prices continue their rising tendency. In the commodity markets business has been very brisk, and quotations for metals, rubber, and sugar have been soaring. The price of silk has, however, been irregular. The stock market has been dull with Government bonds easy and industrials weak. Heavy Government disbursements have made money easy, and the end of the year is expected to be negotiated without any difficulty.

Statistics

BANK OF ENGLAND

Issue Department

	Note Circulation.	Govt. Debt.	Other Govt. Securities.	Other Securities.	Silver Coin.	Fiduciary Issue.	Gold.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
End March, 1931	357·1	11·0	232·0	12·9	4·0	260·0	144·5
„ „ 1932	360·5	11·0	240·9	19·3	3·8	275·0	120·8
„ „ 1933	367·1	11·0	249·9	10·5	3·6	275·0	171·8
„ „ 1934	378·8	11·0	245·4	0·1	3·5	260·0	191·1
„ „ 1935	381·4	11·0	246·7	0·2	2·1	260·0	192·5
„ „ 1936	406·5	11·0	246·5	1·5	1·0	260·0	200·6
Dec. 23, 1936	474·1	11·0	188·8	0·2	—	200·0	313·7
Dec. 30, 1936	467·4	11·0	188·8	0·1	—	200·0	313·7

Banking Department

	Public Deposits.	Bankers' Deposits.	Other Deposits.	Govt. Securities.	Discounts and Advances.	Other Securities.	Reserve.	Proportion.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	%
End March, 1931	17·2	58·8	34·7	30·3	24·6	25·7	48·3	43·6
„ „ 1932	27·2	54·6	34·4	35·7	11·7	51·1	35·9	30·9
„ „ 1933	21·2	92·8	35·0	57·7	11·8	17·2	80·6	54·0
„ „ 1934	17·5	94·5	36·9	77·1	5·6	11·0	73·4	49·2
„ „ 1935	20·1	96·6	41·2	87·6	5·6	11·4	71·7	45·3
„ „ 1936	18·0	83·6	37·0	80·3	5·0	16·7	54·9	39·6
Dec. 23, 1936	21·7	72·2	38·8	83·1	6·4	21·0	40·2	30·2
Dec. 30, 1936	12·4	150·6	39·2	134·5	17·5	21·2	46·8	23·1

LONDON CLEARING BANKS (monthly averages)

	Deposits.	Acceptances, Guarantees, etc.	Cash	Balances and Cheques.	Call Money.	Bills.	Investments.	Advances.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
March, 1931	1,763·9	121·5	184·0	43·5	114·1	240·4	311·1	936·1
„ 1932	1,676·4	98·7	174·0	43·4	112·5	216·8	281·9	902·1
„ 1933	1,925·2	95·8	207·0	40·1	108·7	348·1	510·2	766·2
„ 1934	1,830·6	112·8	218·9	43·5	120·4	202·1	547·1	753·0
„ 1935	1,923·3	117·7	214·0	43·6	133·4	207·0	614·4	766·8
„ 1936*	2,108·3	105·2	216·7	53·8	162·4	252·0	635·1	849·2
Oct., 1936*	2,280·4	103·1	226·9	56·6	164·1	350·7	655·4	887·9
Nov., 1936*	2,287·2	106·9	232·9	59·9	180·6	328·6	655·6	890·2

* Includes the District Bank.

LONDON BANKERS' CLEARING HOUSE RETURNS

	Town Clearing	Metropolitan Clearing	Country Clearing	Total
	£ mn.	£ mn.	£ mn.	£ mn.
1930	38,782	1,812	2,964	43,558
1931	31,816	1,668	2,752	36,236
1932	27,834	1,610	2,668	32,112
1933	27,715	1,657	2,766	32,138
1934	30,740	1,760	2,984	35,484
1935	32,444	1,887	3,229	37,560
1935 to Dec. 31	32,444	1,887	3,229	37,560
1936 to Dec. 30	34,857	2,032	3,524	40,413
1935, Dec. (4 weeks) ...	2,485	138	239	2,862
1936, Dec. (4 weeks) ...	2,922	159	276	3,357

BANKERS' PROVINCIAL CLEARING RETURNS

	Mar., 1929	Mar., 1932	Mar., 1933	Mar., 1934	Mar., 1935	Mar., 1936	Oct., 1936	Nov., 1936
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Birmingham	11·9	9·0	9·7	11·3	9·6	10·7	12·3	13·8
Bradford	5·9	3·4	3·3	4·2	3·8	4·7	4·7	4·6
Bristol	5·3	4·9	5·0	5·4	4·9	5·5	6·1	5·7
Hull	4·0	3·0	3·2	3·2	3·2	3·4	3·9	3·5
Leeds...	4·4	3·8	3·8	4·4	4·3	3·9	4·4	4·0
Leicester	3·6	3·1	3·1	3·3	2·8	3·1	3·4	3·3
Liverpool	34·2	25·6	25·6	26·8	25·8	27·5	30·5	30·9
Manchester	58·0	42·5	42·1	46·1	42·8	44·9	50·2	47·4
Newcastle-on-Tyne...	6·5	5·7	6·5	6·9	5·5	5·7	6·3	6·1
Nottingham	2·8	1·9	1·9	2·0	2·0	2·1	2·4	2·2
Sheffield	4·6	3·3	3·5	3·6	3·4	4·3	4·7	4·4
	141·2	106·2	107·7	117·2	108·1	115·8	128·9	125·9

LONDON AND NEW YORK MONEY RATES

	London.					New York.		
	Bank Rate.	Treasury Bills. Tender Rate.	Treasury Bills. Market Rate.	3 Months' Bank Bills.	Short Loans.	F.R.B. Re-discount Rate.	Call Money.	Accept-ances.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
End March, 1931	3	2 17/32	2 9/16–2 5/8	2 9/16–2 5/8	2–2 1/2	2	1 1/2	1 5/8
„ „ 1932	3 1/2	2 5/32	1 7/8	2 1/8–2 1/4	2–3	3	2 1/2	2 1/2
„ „ 1933	2	19/32	9/16–5/8	5/8	1/2–1	3 1/2	3	2 1/8
„ „ 1934	2	29/32	7/8	15/16	3/4–1	1 1/2	1	3/8
„ „ 1935	2	1/2	1/2–17/32	9/16–5/8	1/2–1	1 1/2	1	3/16
„ „ 1936	2	17/32	1/2	17/32–9/16	1/2–1	1 1/2	3/4	3/16
Nov. 25th, 1936	2	9/16	1/2	9/16	1/2–1	1 1/2	3/4	3/16
Dec. 30th, 1936	2	5/8	21/32–11/16	11/16–3/4	1/2–2	1 1/2	1	3/16

FOREIGN EXCHANGES

London on	1934 Dec. 28	1935 Dec. 27	1936 Dec. 2	1936 Dec. 9	1936 Dec. 16	1936 Dec. 23	1936 Dec. 30
New York—							
(a) Spot ...	4·93	4·93	4·90 7/8	4·90 3/8	4·91 5/16	4·91 1/4	4·90 15/16
(b) 3 months	3/16c. dis.	1 1/4c. pm.	17/32c. pm.	11/16c. pm.	13/16c. pm.	27/32c. pm.	23/32c. pm.
Montreal ...	4·90 5/8	4·97 1/2	4·90 3/8	4·89 7/8	4·90 5/8	4·90 3/4	4·90 1/4
Paris—							
(a) Spot ...	74 23/32	74 27/32	105 5/32	105 1/8	105 1/8	105 5/32	105 1/8
(b) 3 months	8c. dis.	Fr.2 5/16 dis.	Fr.1 7/16 dis.	Fr.1 1/8 dis.	Fr.1 7/8 dis.	Fr.2 1/16 dis.	Fr.2 5/16 dis.
Berlin—							
(a) Official ...	12·27	12·26 1/2	12·20	12·18 1/2	12·21	12·21	12·20
(b) Registered Marks	38 1/2% dis.	47% dis.	49 1/4% dis.	50 1/4% dis.	49 7/8% dis.	51 1/4% dis.	54% dis.
Amsterdam ...	7·29 1/4	7·27 1/4	9·02	9·00 3/4	9·01 1/2	8·97 1/4	8·96 1/4
Brussels ...	21·03	29·30 1/2	28·99	28·98 1/2	29·04 1/2	29·10	29·13
Milan	57 23/32	61 11/32	93 3/16	93 1/8	93 1/8	93 5/16	93 1/8
Zurich ...	15·22 1/2	15·19	21·34 1/2	21·33 1/2	21·36 1/2	21·37 1/4	21·37
Stockholm ...	19·40	19·40	19·39 1/2	19·39 1/2	19·39 1/2	19·39 1/2	19·39 1/2
Madrid ...	36 1/16	36 1/8	n. q.	59·50*	62·50*	64·00*	66·00*
Vienna... ...	26 3/4	26 1/2	26 1/2	26 1/2	26 1/2	26 1/2	26 1/2
Prague... ...	118	119 1/4	138 7/8	138 3/4	139 3/8	140 1/8	140 1/4
Buenos Aires—							
(a) Export ...	15	15	15	15	15	15	15
(b) Import ...	17·06	17·02	17·00	17·00	16·00	16·00	16·00
(c) Free ...	19·68	18·21	17·55	16·97	16·25	16·06	16·06
Rio de Janeiro—							
(a) Official ...	4 3/32	4 1/8	4 5/16	4 5/16	4 5/16	4 5/16	4 5/16
(b) Free ...	3 1/4	2 21/32	2 7/8	2 13/16	2 13/16	2 13/16	2 13/16
Valparaiso ...	119 1/2	126	131 1/2*	131 1/2*	131 1/2*	131 1/2*	131 1/2*
Bombay ...	18 1/16d.	18 1/8d.	18 1/8d.	18 1/8d.	18 1/8d.	18 1/8d.	18 1/8d.
Hong Kong ...	20 11/16d.	15 11/16d.	14 15/16d.	14 15/16d.	14 15/16d.	14 7/8d.	15d.
Kobe	1/2	1/2 1/32	1/2	1/1 31/32	1/1 31/32	1/1 31/32	1/1 29/32
Shanghai ...	16 13/16d.	14 1/2d.	14 1/2d.	14 1/2d.	14 7/16d.	14 7/16d.	14 1/2d.
Gold price ...	140s. 10 1/2d.	141s. 0d.	141s. 8 1/2d.	141s. 9d.	141s. 7d.	141s. 6d.	141s. 8d.
Silver price ...	24 3/8d.	21d.	21 5/16d.	21 1/16d.	21 1/4d.	20 7/8d.	21 3/8d.

* Nominal. n. q.—No quotation.

PUBLIC REVENUE AND EXPENDITURE

	1932–33	1933–34	1934–35	1935–36	1935–36 to Dec. 28	1936–37 to Dec. 26
REVENUE—	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Income Tax	251·5	228·9	228·9	238·1	77·7	73·7
Sur-Tax	60·7	52·6	51·2	51·0	9·0	8·7
Estate Duties...	77·1	85·3	81·3	87·9	64·6	61·9
Stamps	19·2	22·7	24·1	25·8	15·5	18·4
Customs	167·2	179·2	185·1	196·6	147·9	156·5
Excise	120·9	107·0	104·6	106·7	82·6	83·7
Motor Vehicles Duties (Exchequer Share) ...	5·0	5·2	5·1	5·0	1·5	1·7
Other Tax Revenue	3·1	2·6	3·1	2·1	0·2	0·2
Total Tax Revenue	704·7	683·5	683·4	713·2	399·0	404·8
Post Office	10·9	13·1	12·2	11·7	10·3	9·9
Crown Lands...	1·2	1·2	1·3	1·4	1·0	1·0
Receipts from Sundry Loans	5·1	4·7	4·4	4·9	3·6	3·6
Miscellaneous Receipts ...	22·9	22·1	15·1	21·7	16·9	14·7
Total Non-Tax Revenue ...	40·1	41·1	33·0	39·7	31·8	29·2
Total Ordinary Revenue ...	744·8	724·6	716·4	752·9	430·8	434·0
Post Office	59·3	59·3	61·8	66·1	47·5	50·4
Road Fund	22·9	25·5	26·4	25·8	9·0	9·5
Total Self-balancing Revenue ...	82·2	84·8	88·2	91·9	56·5	59·9
EXPENDITURE—						
National Debt Interest ...	262·3	212·9	211·6	211·5	177·8	177·5
Payments to N. Ireland ...	7·0	6·6	6·8	7·2	3·9	4·8
Other Cons. Fund Services ...	3·3	4·1	3·6	5·7	2·1	1·9
Post Office Fund	—	—	2·3	1·1	1·1	0·4
Supply Services	458·3	458·8	472·2	512·0	359·0	385·5
Total Ordinary Expenditure ...	730·9	682·4	696·5	737·5	543·9	570·1
Sinking Fund...	17·2	7·7	12·3	12·5	—	—
Payments to U.S. Govt. ...	29·0	3·3	—	—	—	—
Self-balancing Expenditure (as per contra)	82·2	84·8	88·2	91·9	56·5	59·9

PRODUCTION

	Coal	Pig-Iron	Steel
	Tons mill.	Tons thous.	Tons thous.
Total 1913	287·4	10,260	7,664
„ 1925	243·2	6,262	7,385
„ 1929	257·9	7,589	9,636
„ 1930	243·9	6,192	7,326
„ 1931	219·5	3,773	5,203
„ 1932	208·7	3,574	5,261
„ 1933	207·1	4,136	7,024
„ 1934	221·0	5,969	8,850
„ 1935	222·9	6,426	9,842
Total to November, 1935 ...	203·3	5,867	9,031
Total to November, 1936 ...	207·9	7,014	10,686

BOARD OF TRADE PRODUCTION INDEX NUMBER (1930 = 100)

	Complete Year		1935		1936		
	1934.	1935.	3rd Qr.	4th Qr.	1st Qr.	2nd Qr.	3rd Qr.
Mines and Quarries	90·8	91·7	85·8	98·1	100·5	88·4	89·6
Iron and Steel...	115·7	125·6	124·1	133·3	146·2	149·5	149·1
Non-Ferrous Metals	122·7	137·3	136·6	132·1	134·8	140·9	145·3
Engineering and Shipbuilding	94·0	104·8	102·2	108·0	115·3	120·3	118·8
Building Materials and Building	133·4	147·0	153·5	150·2	148·8	157·8	164·3
Textiles	113·3	118·9	113·3	126·5	126·9	124·4	122·3
Chemicals, Oils, etc.	104·6	110·6	107·7	119·0	115·5	112·0	111·1
Leather and Boots and Shoes	104·5	116·0	109·7	122·1	126·7	121·4	116·4
Food, Drink and Tobacco ...	102·3	107·6	109·2	113·9	106·9	114·5	115·2
Total*	106·1	113·5	110·7	120·7	122·9	122·9	121·7

* Includes paper and printing, gas and electricity, rubber, cement and tiles.

UNEMPLOYMENT

(a) Percentage of Insured Workers

Date	1929	1930	1931	1932	1933	1934	1935	1936
End of—								
January	12·3	12·4	21·5	22·4	23·1	18·6	17·6	16·2
February	12·1	12·9	21·7	22·0	22·8	18·1	17·5	15·3
March	10·0	13·7	21·5	20·8	21·9	17·2	16·4	14·2
April	9·8	14·2	20·9	21·4	21·3	16·6	15·6	13·6
May	9·7	15·0	20·8	22·1	20·4	16·2	15·5	12·8
June	9·6	15·4	21·2	22·2	19·4	16·4	15·4	12·8
July	9·7	16·7	22·0	22·8	19·5	16·7	15·3	12·4
August	9·9	17·1	22·0	23·0	19·1	16·5	14·9	12·1
September	10·0	17·6	22·6	22·8	18·4	16·1	15·0	12·1
October	10·3	18·7	21·9	21·9	18·1	16·3	14·5	12·1
November	10·9	19·1	21·4	22·2	17·9	16·3	14·5	12·2
December	11·0	20·2	20·9	21·7	17·5	16·0	14·1	

(b) Actual Numbers Unemployed (in thousands)

	Mar., 1932	Mar., 1933	Mar., 1934	Mar., 1935	Nov., 1935	Mar., 1936	Oct., 1936	Nov., 1936
Number of Insured Persons unemployed—								
Wholly unemployed	2,129	2,205	1,814	1,727	1,598	1,551	1,343	1,360
Temporarily stopped	427	511	317	324	226	240	196	191
Normally in casual employment ...	104	105	94	92	82	88	75	70
Total...	2,660	2,821	2,225	2,143	1,906	1,879	1,614	1,621

RAILWAY TRAFFIC RECEIPTS

	Four weeks ended				Aggregate for 52 weeks			
	Dec. 29, 1935.		Dec. 27, 1936.		1935.		1936.	
	Passengers.	Goods.	Passengers.	Goods.	Passengers.	Goods.	Passengers.	Goods.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Great Western ...	0·8	1·1	0·9	1·2	10·7	14·7	10·9	15·2
London & North Eastern*	1·2	2·2	1·3	2·3	16·4	28·2	16·8	29·2
London Midland & Scottish	1·9	2·9	1·9	3·0	25·1	35·8	25·8	37·6
Southern	1·2	0·3	1·2	0·4	15·6	4·8	15·9	4·9
Total...	5·1	6·5	5·3	6·9	67·8	83·5	69·4	86·9

* The London & North Eastern Railway Returns are made up a day earlier each week than the other lines.

RETAIL TRADE

(from the Board of Trade Journal)

Change in value since same date in previous year

	Nov., 1933	Nov., 1934	Nov., 1935	Oct., 1936	Nov., 1936
By CATEGORIES: Great Britain	%	%	%	%	%
Total	+ 2·8	+ 3·9	+ 7·0	+ 7·3	+ 6·5
Food and Perishables	+ 1·5	+ 3·6	+ 9·6	+ 6·4	+ 6·3
Other Merchandise of which					
Piece-goods*	− 0·1	− 1·0	− 1·0	+ 3·1	+ 2·2
(i) Household Goods ...	+ 0·9	− 0·4	+ 2·3	+ 7·1	+ 0·7
(ii) Dress Materials	− 0·7	− 1·8	− 1·6	+ 0·3	+ 3·0
Women's Wear*...	+ 5·7	+ 3·9	+ 2·2	+ 8·3	+ 9·2
(i) Fashion Departments ...	+ 8·9	+ 4·8	+ 6·5	+11·2	+ 8·0
(ii) Girls' and Children's Wear	+ 3·2	+ 2·4	+ 1·4	+11·2	+ 7·4
(iii) Fancy Drapery	+ 3·8	+ 3·8	− 1·2	+ 4·7	+10·4
Men's and Boys' Wear	+ 5·9	+ 5·3	+ 1·3	+11·2	+13·2
Boots and Shoes...	+ 1·9	+ 6·5	+11·3	+ 6·4	+ 8·2
Furnishing Departments ...	+ 4·6	+ 5·7	+ 7·6	+10·9	+ 2·7
Hardware	+ 6·3	+ 0·2	+ 7·7	+ 6·6	+ 1·6
Fancy Goods	+ 4·1	+ 3·6	+ 6·3	+ 8·4	+ 2·2
Sports and Travel	− 1·3	+ 0·7	+10·0	+ 0·8	+ 2·2
Miscellaneous and Unallocated	+ 0·1	+ 5·9	+ 6·0	+ 5·7	+ 4·7
By AREAS—					
All Categories—					
Scotland	+ 2·6	+ 5·7	+ 5·1	+ 5·5	+ 5·1
Wales and North of England...	+ 1·3	+ 4·0	+ 7·2	+ 6·9	+ 5·4
South of England	+ 4·0	+ 4·1	+ 8·1	+ 8·4	+ 7·1
London, Central & West End	+ 3·4	+ 1·9	+ 3·3	+ 6·1	+ 8·5
London, Suburban	+ 3·2	+ 4·2	+ 8·8	+ 8·3	+ 7·1

* Including some goods which cannot be allocated to sub-headings.

OVERSEAS TRADE

Date.	Imports. Food.	Imports. Raw Materials.	Imports. Manufactured Goods.	Imports. Total.	Exports. Food.	Exports. Raw Materials.	Exports. Manufactured Goods.	Exports. Total.
Monthly Average—	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
1925	47·5	35·4	26·6	110·1	4·6	7·0	51·4	64·4
1929	44·6	28·3	27·9	101·7	4·6	6·6	47·8	60·8
1930	39·6	20·9	25·6	87·0	4·0	5·3	36·7	47·6
1931	34·7	14·4	21·8	71·8	3·0	3·9	24·3	32·6
1932	31·1	13·7	13·1	58·5	2·7	3·6	23·0	30·4
1933	28·3	15·0	12·6	56·3	2·4	3·8	23·4	30·6
1934	28·9	17·5	14·3	61·0	2·5	4·0	25·4	33·0
1935	29·7	17·7	15·4	63·1	2·6	4·4	27·4	35·5
Nov., 1935	34·4	19·8	16·8	71·5	3·8	5·1	29·3	39·4
Nov., 1936	37·1	22·8	18·4	78·7	3·8	4·6	28·9	38·4

SOME LEADING IMPORTS

Date.	Wheat.	Iron Ore and Scrap.	Raw Cotton.	Raw Wool.	Hides, Wet and Dry.	Wood Pulp.	Rubber.	Iron and Steel Manufactures.
Monthly Average—	(thous. cwts.)	(thous. tons)	(thous. centals of 100 lbs.)	(thous. centals of 100 lbs.)	(thous. cwts.)	(thous. tons)	(thous. centals of 100 lbs.)	(thous. tons)
1925	8,071	373	1,578	606	155	103	163	227
1929	9,314	480	1,283	678	98	137	330	235
1930	8,731	363	1,011	652	108	128	326	243
1931	9,952	185	989	707	106	122	237	237
1932	8,803	159	1,048	765	105	153	176	133
1933	9,366	234	1,169	793	120	162	189	81
1934	8,552	392	1,052	657	116	187	395	114
1935	8,435	415	1,057	720	141	185	325	96
Nov., 1935	9,873	422	1,696	606	180	209	218	77
Nov., 1936	9,330	515	1,560	658	167	214	67	91

SOME LEADING EXPORTS

Date.	Coal.	Iron and Steel.	Machinery.	Cotton Yarns.	Cotton Piece-Goods.	Woollen Tissues.	Worsted Tissues.	Motor Cars.
Monthly Average—	(thous. tons)	(thous. tons)	(thous. tons)	(mill. lbs.)	(mill. sq. yds.)	(thous. sq. yds.)	(thous. sq. yds.)	(number)
1925	4,235	311	43	11·3	370	11,015	3,492	1,481
1929	5,022	365	47	11·8	306	9,016	3,490	1,991
1930	4,573	263	40	11·1	201	6,587	2,893	1,602
1931	3,563	165	27	11·4	143	4,694	2,479	1,429
1932	3,242	157	25	13·9	183	4,461	2,358	2,246
1933	3,256	160	23	15·8	169	5,110	2,741	2,821
1934	3,305	188	28	10·9	166	5,745	2,772	2,904
1935	3,226	198	32	11·8	162	5,941	3,218	3,683
Nov., 1935	3,496	212	33	12·4	158	5,584	3,166	3,530
Nov., 1936	2,920	193	32	12·4	154	5,178	3,181	5,303

PRICES

1. WHOLESALE PRICES

Date	Index Number (Sept. 16th, 1931 = 100)				
	U.K.	U.S.A.	France	Italy	Germany
Average 1925	177·9	152·3	154·1	148·9	130·2
1929	150·9	139·4	141·3	146·0	126·1
1931	107·7	103·5	105·5	103·5	101·9
1932	103·5	89·3	92·0	93·1	88·7
1933	103·5	93·7	87·7	86·6	85·7
1934	106·4	111·1	83·1	84·2	90·4
1935	108·1	120·3	78·4	—	93·5
End Nov., 1935 ...	113·6	122·5	79·8	—	94·7
" Dec., 1935 ...	113·7	121·9	80·7	—	94·9
" Nov., 1936 ...	123·7	124·8	106·9	—	95·9
" Dec., 1936 ...	127·9	128·8	113·0	—	95·5

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Générale; Italy, Italian Chamber of Commerce; Germany, Statistiche Reichsamt.

2. RETAIL PRICES (cost of living)

Date	Food	Rent (including Rates)	Clothing	Fuel and Light	Other Items included	All Items included
End of 1925 ...	71	48	125	80–85	80	75
1929 ...	57	52	115	75	80	66
1931 ...	31	54	90	75	75	47
1932 ...	23	55	85	70–75	70–75	42
1933 ...	24	56	85	70–75	70–75	42
1934 ...	25	56	85–90	70–75	70–75	44
1935 ...	31	58	85	75	70	47
End Nov., 1935...	31	58	85	70	70	47
" Oct., 1936...	36	59	90	75	70	51
" Nov., 1936...	36	59	90	75	70	51

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date.	Wheat No. 1 N. Manitoba.	Sugar Centrifugals U.K.	Cotton American Middling.	Wool 64's tops avge.	Pig-Iron, Cleveland No. 3.	Tin, Standard Cash.	Rubber Plantation, Sheet.
	per qr. s. d.	per cwt. s. d.	per lb. d.	per lb. d.	per ton s. d.	per ton £	per lb. d.
Average 1925 ...	66 $4\frac{1}{2}$	12 9	12·65	$54\frac{13}{16}$	72 $9\frac{3}{4}$	$261\frac{3}{32}$	$34\frac{3}{16}$
1929 ...	54 $0\frac{3}{4}$	9 $0\frac{1}{2}$	10·29	$38\frac{7}{8}$	70 $4\frac{1}{4}$	$203\frac{13}{16}$	$10\frac{1}{4}$
1931 ...	28 $2\frac{3}{4}$	6 $4\frac{3}{4}$	5·08	$23\frac{1}{16}$	58 7	$118\frac{1}{8}$	$3\frac{1}{8}$
1932 ...	30 $6\frac{1}{4}$	5 $9\frac{1}{8}$	5·29	$22\frac{1}{16}$	58 6	$136\frac{3}{32}$	$2\frac{5}{16}$
1933 ...	28 2	5 4	5·53	$28\frac{5}{16}$	62 3	$194\frac{13}{16}$	$3\frac{1}{4}$
1934 ...	30 11	4 $8\frac{1}{8}$	5·66	$30\frac{31}{32}$	66 $10\frac{1}{2}$	230	$6\frac{3}{16}$
1935 ...	34 $3\frac{1}{2}$	4 8	6·69	28	67 10	$225\frac{13}{32}$	$5\frac{31}{32}$
Nov., 1935 ...	35 4	5 0	6·62	31	69 0	$226\frac{27}{32}$	$6\frac{5}{16}$
Oct., 1936 ...	44 $6\frac{3}{4}$	4 $10\frac{3}{4}$	6·89	$31\frac{7}{8}$	75 0	$222\frac{7}{32}$	$7\frac{13}{16}$
Nov., 1936 ...	43 $1\frac{1}{2}$	4 $11\frac{1}{2}$	6·80	$34\frac{13}{16}$	75 0	$233\frac{5}{16}$	$8\frac{3}{8}$